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<https://www.o-bank.com>



(Formerly Known as Industrial Bank of Taiwan Co., Ltd.)

2017 Annual Report



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CPAs for the Financial Statements in the Last Few Years

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Website: <http://www.deloitte.com.tw>

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Address: <http://www.taiwanratings.com>

Stock Transfer Agency

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Department, CTBC Bank Co., Ltd.
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Spokesperson

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Deputy /Acting Spokesperson

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Name of Overseas Exchange Where Securities Are Listed and Method of Inquiry : None

(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

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I. Letter to Shareholders

The year 2017 saw the world economy recover steadily. Both investment and consumption expanded in developed countries, giving a boost to global trade in general and export-oriented emerging economies in particular. As an economy also fueled by outbound shipments, Taiwan surely benefitted from this steady global pickup and put in better-than-expected growth. According to the Directorate General of Budget, Accounting and Statistics of the Executive Yuan, Taiwan recorded GDP growth of 2.86% in 2017, up from the 1.41% of the year before. Combined, Taiwan's domestic banks generated pretax profit of NT\$305.9 billion, up a minor 1.96% from a year earlier.

As Taiwan's first digitally focused bank geared toward virtual channels, O-Bank came into being through restructuring from Industrial Bank of Taiwan in January 2017. It aims to draw on financial technology (fintech) for making real the vision of financial inclusion. Due to massive outlays needed for installing new systems to make forays into hitherto uncharted retail banking territory, the bank saw 2017 pretax profit fall from a year earlier to NT\$1.226 billion. Net income came in at NT\$1.072 billion, or NT\$0.45 per share, translating into an ROE of 3.65%. Separately, the bank recorded an 11.26% increase in total assets to NT\$295 billion and kept up a capital adequacy ratio of 13.71%.

In July 2017, Taiwan Ratings granted the bank long- and short-term ratings of “twA” and “twA-1” respectively with a “stable” outlook. A summary of the major strategic objectives the bank achieved in 2017 is as follows:

1. Completing transformation to a commercial bank, creating an innovative model for digital banking

After restructuring to a commercial bank, O-Bank took the forward-looking step of crafting a digitally focused bank that operates mainly on virtual channels. Cloud services and big data analytics are integrated to provide customers with secure, convenient, beneficial, and interesting innovative services, such as 24-hour video customer service and fully online unsecured loan applications. Moreover, O-Bank took the lead in introducing robot advisory services: big data analytics is adopted to come up with precise investment recommendations and give consumers easy access to digitized investment services. In a departure from traditional brick and mortar branches, the bank set up Taipei Vie Show Branch and Zhongxiao-Dunhua Branch as digital experience centers to help customers enjoy a truly digitized banking experience. Since its fresh start in January 2017, O-Bank has seen the opening of nearly 100,000 digital retail banking accounts, taking about 30% of the local market and laying solid foundation for the bank's retail banking business going forward. Last year, Gartner, the world-renowned research and advisory firm, handed to O-Bank two awards: Most Innovative Digital Business Model and 2017 Gartner Eye on Innovation Award for Asia Pacific.

2. Listing on the Taiwan Stock Exchange

In a bid to facilitate the liquidity of the bank's shares and gain access to the local capital market, O-Bank was listed on the Taiwan Stock Exchange on May 5, 2017. The move also reflected the bank's commitment to a higher standard of corporate governance and sustainable development. Just six months later, the bank's business performance won widespread approval and in turn its inclusion as a component of the MSCI World Small Cap Index.

3. Securing approval to start a real estate investment trust (REIT) fund

In November 2017, the Financial Supervisory Commission approved O-Bank's application to start the O-Bank Number One Real Estate Investment Trust (REIT) Fund, the first of its kind to have secured the green light from Taiwan's regulatory authority in nearly a decade.

4. Obtaining B Corporation certification

In October 2017, O-Bank was certified as a B Corporation, attesting to its meeting rigorous international standards for corporate governance, employee care, environment protection, community engagement, and influence on customers. O-Bank is not only the first public company and financial services provider listed on the Taiwan Stock Exchange but also the first listed bank in the world to have been thus certified.

As 2018 unfolds, O-Bank expects the world economy to stay on track for steady recovery but also sees the need for keeping an eye on a number of uncertainties—monetary policy tightening in major countries, an uptick in protectionism, and Taiwan’s slower expansion of exports and still lukewarm domestic demand. The bank has thus devised the following key strategies for 2018:

1. Further bolster strength in digital banking and enhance product competitiveness

In addition to crafting a better-rounded framework of digital retail banking offerings, O-Bank is set to keep up its introduction of innovative products that cater to consumer needs. Equal emphasis will be placed on promoting cross-selling on customized platforms backed by strategic alliances in order to further sharpen the bank’s competitive edge in retail banking.

2. Create new niches and increase the ROA

When it comes to corporate banking, O-Bank will devote itself to making a “boutique bank” that focuses on serving quality clients and thus generating a higher ROA. First, the bank is poised to set itself apart from peers by providing clients with tailor-made structured financing products, thereby enhancing customer loyalty and increasing fee income. Meanwhile, the bank will also strive for opportunities to take the lead or get involved in undertaking securitization and thus increase trust income.

3. Make inroads into the MME segment and expand business reach

The bank will work rigorously to win over new customers and to enlarge the base of mid-market enterprises. In addition to catering to companies listed on the Taiwan Stock Exchange and Taipei Exchange, the bank will strengthen product penetration and provide customers with added value by building on its strengths in trade financing and financial marketing and diversifying to a wider range of corporate banking offerings. Meanwhile, the bank will vie for the synergy of integrating retail and corporate banking services by serving corporate clients in both salary transfer and personal wealth management.

4. Fulfill corporate social responsibility and expand positive impact

The bank’s restructuring and renaming to O-Bank reflects its aspiration for following the benevolent way of “benefiting others to fulfill oneself.” In a nutshell, it summarizes the bank’s commitment to sustainable development. Persistent CSR endeavors over the past three years enabled the bank to be certified as a B Corporation last year. O-Bank’s CSR report published in 2017 went on to win a golden medal of Corporate Sustainability Report Award for the banking and insurance sector from the Taiwan Institute for Sustainable Energy. In the days ahead, the bank is ready to do more to serve the environment and community by faithfully fulfilling its corporate social responsibility.

It is my belief that with the concerted efforts of each and every one at O-Bank, we will be able to reach higher ground in the future. We look forward to continued support and guidance from all shareholders.



Kenneth C. M. Lo/ Chairman & CEO

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Since its inception, O-Bank has stood by the core values of “Trust, Outstanding, Unity, Creativity, and Honor” as it strives for higher-than-average growth and sustainable development. When it comes to corporate banking, the bank positions itself as a “boutique bank” that provides clients with a full spectrum of financial services. No matter which phase—initiation, growth, maturity, or restructuring/consolidation—businesses are now undergoing, the bank is poised to identify their actual needs and deliver the best possible counseling and assistance only a true professional can, thereby increasing local industry’s competitiveness and bolstering Taiwan’s growth potential. O-Bank’s corporate banking services cover the following: mid- to long-term lending, trade financing, factoring, financial commodities trading, asset securitization, project financing, trust, foreign exchange, and international finance. As an expert in syndicated lending armed with a wide range of products, the bank provides clients with mid- to long-term funding services to help promote manufacturing ventures that hold great potential. To date it has been earnestly involved in developing various high-tech and government-supported emerging industries, such as electronics, information, networking, optoelectronics, environmental protection, and energy. It has also been an avid participant in many important infrastructure projects: MRT, waste disposal facilities at science parks, water treatment plants, and build-operate-transfer (BOT) land development projects. Given its specialization in offering financial advisory services, the bank has also proven a valuable partner in helping corporate clients devise business strategies and improve financial health. In terms of trade finance, the bank is ready with tools to help corporate clients meet capital management needs in different stages, from factoring and trade financing to fully integrated cash management solutions, so that they can expand business reach, accomplish restructuring and upgrade, and make inroads internationally. When it comes to trust, the bank obtained approval from the Financial Supervisory Commission in November 2017 to start the O-Bank Number One Real Estate Investment Trust (REIT) Fund, the first of its kind to have secured regulatory approval in Taiwan in nearly a decade. Thanks to the mutual trust and reciprocity attained through long-term cooperation over the years, O-Bank has been recognized by corporate clients as the best financial advisor and principal bank that can deliver win-win outcomes.



its offshore banking unit (OBU) in September 2003. This was followed by the opening of the bank's first overseas branch in Hong Kong in April 2009 to accommodate overseas investment, financing, and renminbi services. Another objective is to establish a cross-border banking platform that spans Taiwan, Hong Kong, mainland China, and the U.S. with a view to providing customers with a wide range of funding sources and financial services and helping Taiwan-based enterprises with capital allocation and other financial matters in their global expansion.

To accommodate business development and expand business scope, the bank took action in January 2006 and December 2007 to accumulate a nearly 28% stake in China Bills Finance Corp., thereby launching into the short-term bill sector. This alliance through cooperation across operations, techniques, and outlets aims to create synergies shared by both parties. To better serve small and medium-sized enterprises (SMEs), the bank set up IBT Leasing Co., Ltd. in April 2011 to offer a full range of financial services in support of SME development.

To open up more business opportunities and expand business scope, the bank acquired California-based EverTrust Bank in March 2007, marking a stride in its global push that enabled the Group to bring its financial services to the U.S. West Coast. A bank of healthy finances and assets with a sound track record, EverTrust Bank deals mainly in deposits, business loans, and business mortgages. Its seven outlets in the Greater Los Angeles Area and Silicon Valley cater primarily to an ethnic Chinese clientele.

In June 2011, the bank's wholly owned unit IBT Leasing Co., Ltd. set up IBT International Leasing Corp. in Suzhou, making it the Group's first subsidiary in mainland China. Branches were soon established in Dongguan, Nanjing, Zhongshan, and Tianjin as part of the Group's efforts to accelerate expansion in mainland China and consolidate its market standing there. In April 2012, the bank established a representative office in Tianjin, marking the first such entity set up by any Taiwanese bank in this northern coastal metropolis. To meet the financing needs of SMEs in mainland China, the bank established IBT Tianjin International Leasing Co., Ltd. in the Binhai New Area in mid-2013. Equipment leasing and other financing solutions are provided for businesses to secure mid- to long-term funding in order to sustain their growth.

With the establishment of Hong Kong Branch, IBT International Leasing Corp., Tianjin representative office, and IBT Tianjin International Leasing Co., Ltd., O-Bank Group now operates a well-rounded service network across southern, eastern, and northern China. A cross-border platform that spans Taiwan, Hong Kong, mainland China, and the U.S. is fittingly placed to provide customers with all-encompassing financial services.

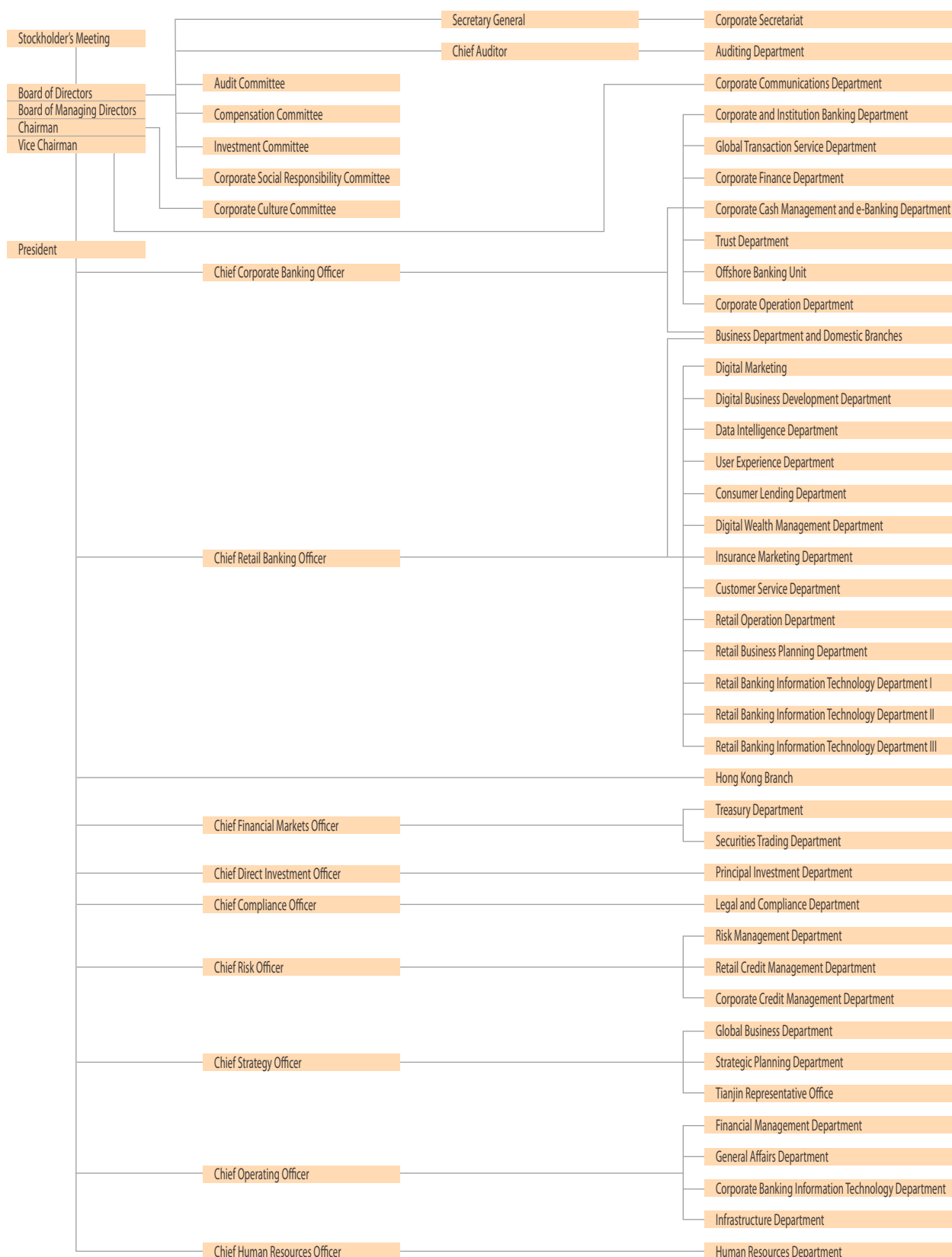
Even as the bank strives aggressively for expansion, it is equally earnest to assert itself beyond the business sphere. The Corporate Culture Promotion Committee initiated at the end of 2013 was followed by the Corporate Social Responsibility Committee at the beginning of 2015. To make real the vision of sustainable development, the bank commits itself to the following five key areas: corporate governance, employee care, customer relations, social engagement, and environmental protection. Clearly defined objectives are set and specific departments are charged with the responsibility of tracking endeavors undertaken to achieve them. In addition to completing nearly 100 upgrade and restructuring plans, the bank published its first corporate social responsibility report in 2016. This publication went on to win a silver medal of Corporate Sustainability Report Award, which is part of the Taiwan Corporate Sustainability Awards organized by the Taiwan Institute for Sustainable Energy. The bank's second such report published in 2017 moved up another rung as it was honored with a golden medal award. Moreover, the bank's methodical undertaking of various CSR endeavors persuaded B Lab of the U.S. to certify it as a B Corporation in October 2017. O-Bank is not only the first listed company and financial services provider in Taiwan but also the first listed bank worldwide to be thus certified. In the days ahead, O-Bank is set to stand by its corporate culture characterized by sincerity and support as it faithfully fulfills its corporate social responsibility on the path toward the ultimate objective of corporate sustainability.

III. Corporate Governance Report

1. Organizational System

Record Date: March 31, 2018

A. Organization



B. The duties of the functional committees under the Board of Directors are as follows:

1. Audit Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in performing the duty of oversight. It is supposed to undertake the following: (1) Enact or amend the internal control system, (2) evaluate the effectiveness of the internal control system, (3) enact or amend the SOP of major financial activities such as acquisition or disposal of assets as well as derivatives transactions, (4) review matters in which directors have personal interests, (5) review major asset or derivatives transactions, (6) review major instances of lending funds or providing endorsements or guarantees, (7) review the offering, issuance, or private placement of equity securities, (8) review the appointment, dismissal, or compensation of CPAs, (9) review the appointment and dismissal of financial, accounting, or internal audit managerial officers, (10) review annual and semi-annual financial statements, and (11) review other major items stipulated by the Bank or the competent authority.
2. Compensation Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in assessing and supervising the Bank's compensation policy and remunerations for directors and managerial officers.
3. Investment Committee: Open to all directors, the committee is intended to assist the Board of Directors in evaluating and supervising the quality of investment activities and conducting review of investment proposals.
4. Corporate Social Responsibility Committee: Comprising the chairman, vice chairman, and a number of members, the committee is responsible for devising the Bank's corporate social responsibility system and policy as well as implementation plans. It is supposed to meet on a regular basis for tracking the implementation of relevant projects and submit a report on implementation results to the Board of Directors each year.

C. Duties of various departments:

1. Corporate Secretariat: Convocation of shareholders' meetings and meetings of the Board of Directors, Board of Managing Directors, and Audit Committee; amendment of the *Articles of Incorporation*; compilation of annual reports; undertaking of archival, confidential, and other office affairs of the Board of Directors.
2. Auditing Department: Examination and supervision of operations at the Bank's various departments and subsidiaries.
3. Corporate Communications Department: Establishment, maintenance, and development of the Bank's corporate image and relations with the media and the public; overall planning with regard to making public the Bank's material information and the communication thereof; undertaking of promotion and communication; monitoring of media reports and handling of media crises; establishment and management of brand image; management and promotion of corporate social responsibility activities.
4. Corporate and Institution Banking Department: Planning, implementation, and management of development strategies for corporate banking services.
5. Global Transaction Service Department: Development, sales, and management of accounts receivable,

trade financing, and supply chain financing services.

6. Corporate Finance Department: Planning and management of syndicated lending services; provision of advisory services for project finance; development, sales, and management of such products as NT dollar and foreign currency NCDs.
7. Corporate Cash Management and e-Banking Department: Cash management for corporate banking clients; planning, promotion, and upkeep of electronic banking, online banking, and integrated collection and payment services.
8. Trust Department: Development, planning, promotion, and management of trust services; provision of services for arranging securitized products and advisory services for asset management or realty development.
9. Offshore Banking Unit: Upkeep and amendment of OBU management regulations and contracts; handling of matters in relation to OBU services.
10. Corporate Operation Department: Procedural planning for clearing, settlement, account administration, and other operations with respect to NT dollar and foreign currency lending, deposits and remitted funds, accounts receivable, securitization, import and export foreign exchange, syndicated loans, and money and foreign exchange market, securities, and investment-related products.
11. Business Department and Domestic Branches: Promotion of deposit, lending, and wealth management services; management and upkeep of customer relations.
12. Digital Marketing Department: Planning of retail banking branding and social media marketing strategies; planning of marketing campaigns that target various customer segments; planning, integration, and management of development strategies for payment services; selection and evaluation of locations for domestic branch outlets as well as establishment thereof.
13. Digital Business Development Department: Designing and evaluation of innovative digital banking models; planning, development, and management of the Bank's retail banking business entering into cross-sector strategic alliances; planning of salary transfer services for corporate clients; evaluation and development of channels for promoting various innovative services.
14. Data Intelligence Department: Gathering of information with regard to digital channels; planning of big data warehousing and analysis thereof; establishment of policy and management mechanisms for data governance.
15. User Experience Department: Planning of strategies, products, and channels for personal cash management; planning of development strategies for online and mobile banking services; planning, evaluation, and installation of digital channels and digital platform systems; webpage installation, management, and upkeep; retail banking cash management.
16. Consumer Lending Department: Designing and drafting of operational procedures for extending personal loans; product development and planning; management and implementation of pricing strategies and marketing plans.
17. Digital Wealth Management Department: Drafting of business policy, service content, and marketing strategies and plans that target wealth management customers; research, introduction, development,

and packaging of wealth management products and performance evaluation thereof; marketing coordinated with other product lines.

18. Insurance Marketing Department: Planning of development strategies and marketing campaigns for insurance services; internal control and risk management of insurance agents; handling and signing of new contracts; handling of quality control and customer complaints with regard to insurance sales; procedural design for insurance-related products; collection, research, and analysis of market information.
19. Customer Service Department: Planning of retail banking customer service strategies and procedures; upkeep of customer relations; management and implementation of service marketing.
20. Retail Operation Department: Procedural planning for retail banking products and services such as deposits, payments, loans, and wealth management; procedural planning for retail channels; drafting of provisions for deposit and loan products; management of centralized retail banking operations.
21. Retail Business Planning Department: Planning of retail banking organization and development strategies; setting of annual business goals and budgets; management of performance targets for retail banking units and personnel as well as financial targets; filing of applications to secure or modify business licenses for domestic branches and authorized foreign exchange banks/branches; handling of retail banking reporting procedures required by the competent authority; overall management of legal compliance and risk management matters involving all retail banking units.
22. Retail Banking Information Technology Department I: Planning, development, and upkeep of the Bank's retail banking core system as well as system structure and application systems for branches, wealth management, etc.; implementation of system-related special projects.
23. Retail Banking Information Technology Department II: Planning, development, and upkeep of the Bank's ESB platform and data warehousing system; planning, development, and upkeep of credit checking and review/ debt collection/eLoan, customer service, online sales, and cloud service systems; implementation of related and specially designed projects.
24. Retail Banking Information Technology Department III: Planning, development, and upkeep of the system structure for the Bank's retail banking payment platform as well as application systems; implementation of system-related special projects; special project management with regard to retail banking material information as well as system testing and management; operation of the Bank's problem-reporting center and follow-up management.
25. Overseas Branches: Promotion of corporate banking services outside Taiwan; upkeep of customer relations; handling of financial products trading, account affairs, and administrative management.
26. Treasury Department: Overall allocation of the Bank's funds; handling of transactions of such financial products as bonds and bills, commodities linked to exchange and interest rates, and other derivatives.
27. Securities Trading Department: Investment in securities and securities-linked derivatives; undertaking of hedging; compilation of analytical reports for securities investment.
28. Principal Investment Department: Evaluation of investment in domestic and foreign manufacturing and venture capital businesses; follow-up management and disposal of investees.

29. Legal and Compliance Department: Overall administration with regard to contract review and legal counseling; planning, management, and implementation of the Bank's chief compliance officer mechanism.
30. Risk Management Department: Planning of credit/market/operational risk management policy; control of the Bank's risk-weighted assets portfolio and follow-up management of related operations; management of overdue loans collection.
31. Retail Credit Management Department: Undertaking of credit-checking and credit-reviewing procedures; establishment of the Bank's risk management mechanism for retail banking; management of the Bank's risk-weighted assets portfolio; assessment of NPL provisions and losses; management of litigations or compulsory execution involving overdue loans collection and NPL write-off; realty collateral appraisal and custody or disposal; identification, measurement, monitoring, management, disclosure, and reporting of retail banking credit risk.
32. Corporate Credit Management Department: Review of corporate lending applications; introduction and upkeep of the Bank's default probability calculating model and rating system for corporate banking; proposal of annual facility on corporate lending; implementation and control of credit review operations; review of corporate lending contracts and collateral; release of lending facility; identification, measurement, monitoring, management, disclosure, and reporting of corporate banking credit risk.
33. Global Business Department: Planning and drafting of development strategies for the Bank's global business; establishment of cross-border strategic alliances; establishment of overseas branch outlets as well as planning and management of their operations.
34. Strategic Planning Department: Planning, analysis, and implementation of the Bank's business guidelines and strategies; planning, designing, and development of product portfolios; management of and liaison with the Bank's investees.
35. Overseas Representative Offices: Undertaking of overseas market surveys and analysis and research thereof.
36. Financial Management Department: Taking charge of accounting and taxation and the assessment of performance of all departments.
37. General Affairs Department: Procurement and management of construction and renovation items as well as other properties; handling of stock affairs, document dispatch and receipt, and other administrative duties.
38. Corporate Banking Information Technology Department: Planning and development of the Bank's corporate banking information systems as well as related systems applicable throughout the Bank; upkeep of application systems and implementation of special projects in relation to corporate banking.
39. Infrastructure Department: Planning, installation, management, and upkeep of various information systems and platforms, networking communications, information security, and computer setups.
40. Human Resources Department: Drafting of human resources policy and regulations governing the administration of personnel; handling of matters in relation to appointment, attendance, compensation, benefits, rewards and penalties, and training.

2. Directors and Management Team

(1) Directors

Mar. 31, 2018

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience Education	Other Position	Executives, Directors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Lo, Kenneth C.M.)	Male	2017.6.14	Three years	1999.7.12 1999.7.12	238,644,084 1,296,443	9.98 0.05	238,644,084 1,296,443	9.89 0.05	-	-	-	-	President, Industrial Bank of Taiwan President, Chinatrust Commercial Bank M.A.in Finance, The University of Alabama	Chairman, O-Bank Education Foundation, Director, Taiwan Cement Corporation, etc.	Vice Chairman Director Director	Lo, Tina Y. Chen, Shih- Tze Lo, Nina	1st Degree Spouse 1st Degree
Vice Chairman	Republic of China	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)	Female	2017.6.14	Three years	2011.6.13 2002.5.30	238,697,967 108,018	9.99 0.004	238,707,967 108,018	9.89 0.004	-	-	-	-	Chief Strategy Officer & Deputy President, Industrial Bank of Taiwan Chief Executive, Industrial Bank of Taiwan Hong Kong Branch President, IBT Management Corporation MBA, MIT (Massachusetts Institute of Technology) Sloan School of Management, USA	Vice Chairman, EverTrust Bank Director, IBT Holdings Corp. Director, Tai Ya Investment Co., Ltd. Director, Ming Shan Investment Co., Ltd., etc.	Chairman Director Director	Lo, Kenneth C.M. Chen, Shih- Tze Lo, Nina	1st Degree 1st Degree 2nd Degree
Managing Director	Republic of China	Taiwan Cement Corporation (Rep.: Chang, Nelson An- Ping)	Male	2017.6.14	Three years	1999.7.12 2017.2.22	30,000,000 -	1.25 -	29,719,000 -	1.23 -	-	-	-	-	Chairman, Chia Hsin Cement Corporation M.B.A., School of Business Administration, New York University	Chairman, Taiwan Cement Corporation, Chairman, China Synthetic Rubber Corp. Chairman, Taiwan Prosperity Chemical Corporation Chairman, TCC Chemical Corp Independent Director, Synnex Technology International Corp., etc.	-	-	-
Independent Managing Director	Republic of China	Chan, Hou- Sheng	Male	2017.6.14	Three years	2010.6.18	-	-	-	-	-	-	-	-	Minister of State, Executive Yuan Chairman, Council of Labour Affairs, Executive Yuan Ph.D. University of Wales	Chairman, Cross-Straits Common Market Foundation Director, Advanced Control & Systems Inc.	-	-	-
Managing Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Yang, Tony C.Y.)	Male	2017.6.14	Three years	1999.7.12 2012.4.25	238,644,084 2,008,000	9.98 0.08	238,644,084 2,008,000	9.89 0.08	-	-	-	-	Managing Director & Head of IBG1 China-DBS Bank (China) Limited MBA, State University of New York - Albany	President, O-Bank Co., Ltd. Director, EverTrust Bank	-	-	-
Director	Republic of China	Tai Ya Investment Co., Ltd. (Rep.: Chen, Shih-Tze)	Female	2017.6.14	Three years	2002.5.30 1999.7.12	77,091,768 -	3.22 -	75,307,768 -	3.12 -	-	-	-	-	Managing Director, Industrial Bank of Taiwan Department of Foreign Languages & Literatures, National Taiwan University	Chairman, Yi Chang Investment Co., Ltd. Chairman, Ming Shan Investment Co., Ltd. Chairman, Tai Ya Investment Co., Ltd. Chairman, Tai Hsuan Investment Co., Ltd., etc.	Chairman Vice Chairman Director	Lo, Kenneth C. M. Lo, Tina Y. Lo, Nina	Spouse 1st Degree 1st Degree
Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)	Male	2017.6.14	Three years	1999.7.12 1999.7.12	238,644,084 187,090	9.98 0.008	238,644,084 187,090	9.89 0.008	-	-	-	-	Chairman, IBT Securities Co., Ltd. MBA, National Taiwan University	Chairman, IBT Leasing Co., Ltd. Chairman, IBT International Leasing Corp. Chairman, IBT Tianjin International Leasing Corp. Director, O-Bank Education Foundation, etc.	-	-	-
Director	Republic of China	Abag Investment Holdings Co., Ltd. (Rep.: Tcheng, George)	Male	2017.6.14	Three years	2017.6.14 2015.11.11	50,000 -	0.002 -	50,000 -	0.002 -	-	-	-	-	Manager, San Ho Plastics Fabrication Co., Ltd. MBA, St. John's University	Chairman, Abag Investment Holdings Co., Ltd. Chairman, A BAG Enterprise Co., Ltd. President, San Ho Plastics Fabrication Co., Ltd.	-	-	-

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience Education	Other Position	Executives, Directors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Republic of China	Lee, Mark	Male	2017.6.14	Three years	2011.6.13	100,390	0.004	100,390	0.004	-	-	-	-	Chief Manager, Heng Tong Machinery Co., Ltd. General Manager, Heng Kuo Co., Ltd. Department of Accounting, Feng Chia University	President, Sung Yuan Development Co., Ltd. Director, Heng Tin Feng Invest Development Co., Ltd. Director, Heng Gi Lie Investment Ltd. Company Director, Bai Tong Investment Co., Ltd. Director, Tong Chuan Invest Development Co., Ltd. Director, Chang Yan Investment Co., Ltd., etc	-	-	-
Director	Republic of China	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)	Male	2017.6.14	Three years	2002.5.30 2013.6.7	10,167,384 -	0.43 -	9,980,384 -	0.41 -	-	-	-	-	CEO, Bora Pharmaceuticals Co., Ltd. BS degree in Business and Economics, University of California at Berkeley	Chairman, Bora Pharmaceuticals Co., Ltd. Independent Director, Gamania Digital Entertainment Co., Ltd.	-	-	-
Independent Director	Republic of China	Yue, Thomas	Male	2017.6.14	Three years	2011.6.13	-	-	-	-	-	-	-	-	Chairman, Ernst&Young CPA Firm Master of Accounting, National Chengchi University	Independent Director, Uni-President Enterprise Co. Independent Director, Johnson Health Tec. Independent Director, Feng Hsin Steel Co. Independent Non-Executive Director, Stella International Holdings Ltd., etc.	-	-	-
Independent Director	Republic of China	Liu, Richard R.C.	Male	2017.6.14	Three years	2014.6.6	-	-	-	-	-	-	-	-	Director, Taishin Bank Independent Director, First Commercial Bank Secretary General of Ministry of Finance Master of Economics, University of San Francisco; Master of Public Administration,National Chengchi University	-	-	-	
Director	Republic of China	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina)	Female	2017.6.14	Three years	2011.6.13 2011.6.13	238,697,967 -	9.99 -	238,707,967 -	9.89 -	-	-	-	-	Project Manager, Risk Management Department of IBT M.A. in Education Psychology, University of Southern California	Director, O-Bank Education Foundation Director, Yi Chang Investment Co., Ltd. Director, Tai Ya Investment Co., Ltd., etc.	Chairman Vice Chairman Director	Lo, Kenneth C.M. Lo, Tina Y. Chen, Shih-Tze	1st Degree 2nd Degree 1st Degree
Director	Republic of China	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)	Male	2017.6.14	Three years	2002.5.30 2016.10.26	5,884,631 -	0.25 -	5,697,631 -	0.24 -	-	-	-	-	Assistant manager, Capital Securities Corporation Department of Accounting, Fu Jen Catholic University	Chairman, Yu Bau Enterprise Co., Ltd. Chairman, Tzeng Maw Investment Co., Ltd. Chairman, Hung Yeh Investment Co., Ltd. Chairman, Tai He Investment Co., Ltd., etc.	-	-	-
Director	Republic of China	Tai Ya Investment Co., Ltd. (Rep.: Chang, David C.C.)	Male	2017.6.14	Three years	2002.5.30 2017.6.14	77,091,768 656,965	3.22 0.03	75,307,768 656,965	3.12 0.03	- 35,191	- -	- -	- -	Senior Executive Vice President, O-Bank EMBA of Chengchi University	Deputy President O-Bank Director, China Bills Finance Corporation Supervisor, IBT Leasing Co., Ltd. Supervisor, IBT International Leasing Corp. Supervisor , IBT Tianjin International Leasing Corp.	Senior vice President	Yang, Becky	2nd Degree

(2) Board Membership Diversification Policy and Implementation Results

When it comes to selecting members of the Board of Directors, the Bank does not allow itself to be bound by factors such as gender, age, race, and nationality. In accordance with Article 35 of the Bank's *Corporate Governance Best-Practice Principles*, diversity is given priority in making up the Bank's 7th Board of Directors. Members are elites from finance, industry, and academia. Of the directors, one holds a PhD and 10(hold) an MA(each), covering such fields of study as economics, commerce, business administration, management, accounting, public administration, social welfare, and languages. All of them have the knowledge, skills, and capacity needed for performing their duties. To attain the ultimate goal of corporate governance, the Board of Directors is equipped with the following abilities as a whole: 1) capacity for business judgment, 2) capacity for accounting and financial analysis, 3) capacity for business administration, 4) capacity for crisis management, 5) industry knowledge, 6) a sound perspective of the global market, 7) capacity for leadership, and 8) capacity for decision-making.

Core Measures of Diversity Name	Gender	Capacity for business judgment	Capacity for accounting and financial analysis	Capacity for business administration	Capacity for crisis management	Industry knowledge	A sound perspective of the global market	Capacity for leadership	Capacity for decision-making
Lo, Kenneth C.M.	Male	v	v	v	v	v	v	v	v
Lo, Tina Y.	Female	v	v	v	v	v	v	v	v
Chang, Nelson An-Ping	Male	v	v	v	v	v	v	v	v
Chan, Hou-Sheng	Male	v	v	v	v	v	v	v	v
Yang, Tony C.Y.	Male	v	v	v	v	v	v	v	v
Chen, Shih-Tze	Female	v	v	v	v	v	v	v	v
Lin, Gordon W.C.	Male	v	v	v	v	v	v	v	v
Tcheng, George	Male	v	v	v	v	v	v	v	v
Lee, Mark	Male	v	v	v	v	v	v	v	v
Sheng, Bobby	Male	v	v	v	v	v	v	v	v
Yue, Thomas	Male	v	v	v	v	v	v	v	v
Liu, Richard R.C.	Male	v	v	v	v	v	v	v	v
Lo, Nina	Female	v	v	v	v	v	v	v	v
Tung, Ta-Nien	Male	v	v	v	v	v	v	v	v
Chang, David C.C.	Male	v	v	v	v	v	v	v	v

Major shareholders of the institutional shareholders

Mar. 31, 2018

Name of Institutional Shareholders	Major Shareholders
Yi Chang Investment Co., Ltd.	Triple Ace Management Co., Ltd. (42.80%), Chen, Shih-Tze(31.72%), Lo, Kenneth C.M.(22.63%), Lo, Tina Y.(0.95%), Lo, Nina(0.95%), Lo, I-Ru(0.95%)
Ming Shan Investment Co., Ltd.	KC Investments Corp.(86.11%), Lo, Kenneth C.M.(3.73%), Chen, Shih-Tze(3.62%), Lo, Tina Y.(2.91%), Lo, Nina(2.04%), Lo, I-Ru(1.59%)
Taiwan Cement Corp.	Cathay Life Insurance Co., Ltd.(4.29%), Chia Hsin Cement Corporation(4.15%), Nan Shan Life Insurance Company Ltd.(3.68%), Shin Kong Life Insurance Co., Ltd.(3.24%), Chinatrust Investment Co., Ltd.(2.95%), Fubon Life Insurance Co., Ltd.(2.10%), Chia Hsin International Co.(2.07%), China Synthetic Rubber Corporation(1.97%), Heng Qiang Investment Co., Ltd.(1.95%), China Life Insurance Co., Ltd.(1.86%)
Tai Ya Investment Co., Ltd.	Crystal Lake Global Limited (65.91%), Chen, Shih-Tze(34.09%)
Abag Investment Holdings Co., Ltd.	Tcheng, George(40%), Tcheng, Lin Huei-Chen(20%), Cheng, Po Yun(20%), Cheng, Po Wen(20%)
Pioneer Chemical Corp.	The Great Taipei Gas Corp. (26.55%), Chien Dou Investment Co., Ltd. (8.73%), Mian Hao Enterprise Co., Ltd. (6.33%), Pai Xun Investment Co., Ltd. (5.64%), Ho Ruei Enterprise Co., Ltd. (5.03%), Lin Han Dong (4.07%), Tai Hong Investment Co., Ltd. (3.34%), Taiwan Glass Investment Co., Ltd. (3.30%), Hong Xin Industrial Co., Ltd. (2.28%), Lin Hui Wen (1.93%)
Wang Hsiang Co., Ltd.	Tai Chuan Investment Co., Ltd.(15.42%), Hung Yeh Investment Co., Ltd.(13.06%), Cheng Ta Investment Co., Ltd.(13.01%), Tai Lian Investment Co., Ltd.(11.67%), Tai Chien Investment Co., Ltd.(11.15%), Bau Ching Investment Co., Ltd.(9.99%), Chung Yi Investment Co., Ltd.(7.18%), Full Young Investment Co., Ltd.(5.71%), Lien Mao Investment Co., Ltd.(4.40%), Wei Wang Investment Co., Ltd.(4.40%)

Major shareholders of the Company's major institutional shareholders

Mar. 31, 2018

Name of Institutional Shareholders	Major Shareholders
Triple Ace Management Co., Ltd.	Global Sail Holdings Limited (100%)
KC Investments Corp.	Paradise Palms Ltd.(100%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd.(100%)
Chia Hsin Cement Corporation	Chia Hsin International Co.(16.44%), Sung Ju Investment Corp.(8.88%), Chang, Yung-Ping (5.56%), Taiwan Cement Corp.(3.54%), Ta-Ho Maritime Corporation(3.32%), Nutri Vita Inc.(2.48%), Huang, Chun-Hua (2.07%), Chia Hsin Foundation(1.92%), International Chia Hsin Corp.(1.89%), Ku, Kuo-Hui (1.74%)
Nan Shan Life Insurance Company, Ltd.	Ruenchen Investment Holdings Ltd.'s segregated trust account at First Commercial Bank (75.14%), Ruenchen Investment Holdings Ltd. (15.48%), Tu Ying-tzyong (3.24%), Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%), Ruentex Leasing Co., Ltd. (0.15%), Jipin Investment Co., Ltd. (0.11%), Koay Boon-teik (0.11%), Baohuang Investment Co., Ltd. (0.05%), Baohui Investment Co., Ltd. (0.05%), Baoyi Investment Co., Ltd. (0.05%)
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd.(100%)
Chinatrust Investment Co., Ltd.	Heng Qiang Investment Co., Ltd.(23.38%), Fu Pin Investment Co., Ltd.(23.30%), Taiwan Cement Corp.(8.67%), China Synthetic Rubber Corporation (4.48%), TCC Investment Corporation(3.45%), Hoping Industrial Port Corporation(3.31%), Kung Ching International Development Co., Ltd. (2.97%), Qiao Tai Investment Co., Ltd.(2.77%), Chung Ho Spinning Co., Ltd.(2.31%), Ta-Ho Maritime Corporation(2.09%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.(100%)
Chia Hsin International Co.	Chia Hsin Cement Corporation(87.18%), Chia Hsin Construction & Development Corp.(10.41%), Chang, Kang-Lung(0.52%), Sung Ju Investment Corp.(0.42%), Chang, Ju-Ping(0.25%), Chang, Yung-Ping(0.22%), Chung, Chung-Lien(0.19%), International Chia Hsin Corp.(0.16%), Chang, Nelson An-Ping (0.12%), Wang, Robert C. K.(0.11%)

Name of Institutional Shareholders	Major Shareholders
China Synthetic Rubber Corporation	Taiwan Cement Corp.(8.78%), Chinatrust Investment Co., Ltd.(4.51%), King's Town Bank(4.51%), New Labor Pension Fund (3.24%), Falcon Investment Co., Ltd.(2.92%), Fubon Life Insurance Co., Ltd.(2.50%), TCC Investment Corporation(2.33%), Hope Enterprises Co., Ltd.(2.01%), CS Development & Investment Co., Ltd.(1.89%), Fu Pin Investment Co., Ltd.(1.79%)
Heng Qiang Investment Co., Ltd.	Koo, Gung-Kai(49.9995%), Koo, Cheng-Yun(25%), Koo, Hsuan-Hui(25%), Fu Pin Investment Co., Ltd.(0.0005%)
China Life Insurance Co., Ltd.	China Development Financial Holding Corp.(25.33%), KGI Securities Co. LTD. (9.63%), Videoland Inc.(2.35%), The Saudi Arabian Monetary Authority's investment account in the custody of JPMorgan Chase Bank, N.A., Taipei Branch (1.67%), New Labor Pension Fund (1.63%), The Singaporean government's investment account in the custody of Citibank Taiwan (1.53%), Cathay Life Insurance Co., Ltd.(1.31%), Chan, Ling-Lang (1.27%), Norges Bank's investment account in the custody of Citibank Taiwan(1.19%), The investment account of the Vanguard Group's Vanguard Emerging Markets Stock Index Fund in the custody of JPMorgan Chase Bank, N.A., Taipei Branch (1.13%)
Crystal Lake Global Limited	Chen, Shih-Tze(100%)
The Great Taipei Gas Corp.	Shin Kong Life Insurance Co., Ltd.(7.76%), Wu Dong Jin (6.06%), Shin Kong Memorial Wu Ho-Su Hospital(5.54%), Yue Xing Hua Investment Ltd.(5.18%), ShinKong Synthetic Fibers Corp. (3.91%), Pioneer Chemical Corp. (3%), Ru Ying Industrial Co., Ltd.(2.61%), Shin Kong Life Real Estate Service Co., Ltd. (2.34%), Nan Shan Life Insurance Co., Ltd.(2.13%), Shin Kong Textile Co., Ltd.(2.08%)
Chien Dou Investment Co., Ltd.	The Great Taipei Gas Corp. (99.97%), Shin Kong Wu Ho-Su Memorial Hospital (0.23%), Shin Kong Wu Foundation (0.05%)
Mian Hao Enterprise Co., Ltd.	Wu Dong Jin (26.58%), Dong Yue Enterprise Co., Ltd. (19.8%), Sin Yun Enterprise Co., Ltd.(19.8%), Sin Long Chemical Co., Ltd.(19.8%), Peng Lai Co., Ltd.(11.67%), Ying Ying Investment Co., Ltd. (2.35%)
Pai Xun Investment Co., Ltd.	The Great Taipei Gas Corp. (99.97%), Shin Kong Wu Foundation (0.03%)
Ho Ruei Enterprise Co., Ltd.	Wu Dong Jin (93.32%), Peng Lai Co., Ltd.(6.68%)
Tai Hong Investment Co., Ltd.	Ho Ho Investment Co., Ltd.(29.4%), Lin Po Feng (14.0%), Lin Po Shih (14.0%), Lin Po Chun (14.0%), Tai Cheng Investment Co., Ltd.(11.4%), Tai Chien Investment Co., Ltd.(7.5%), Tai Chia Investment Co., Ltd.(4.2%), Tai Yu Investment Co., Ltd.(3.4%), Lim Ken Seng Kah Kih Co., Ltd.(2%)
Taiwan Glass Investment Co., Ltd.	Tai Hong Investment Co., Ltd.(14.45%), Ho Ho Investment Co., Ltd.(13.85%), Tai Chien Investment Co., Ltd.(8.56%), Tai Yu Investment Co., Ltd.(8.44%), Tai Cheng Investment Co., Ltd.(7.85%), Tai Chia Investment Co., Ltd.(5.43%), Fubon Life Insurance Co., Ltd.(4.98%), Lim Ken Seng Kah Kih Co., Ltd. (4.71%), Nan Shan Life Insurance Co., Ltd.(1.81%), TG Pension Fund Management (1.35%)
Hong Xin Industrial Co., Ltd.	Wu Ru Ying (75.96%), Hong Xin Construction Co., Ltd.(20.02%), Xu Xian Xian (1.98%), Wu Dong Jin (1.96%), Konig Foods Co., Ltd.(0.02%), Wu Dong Liang (0.02%), Wu Dong Xian (0.02%), Wu Dong Sheng (0.02%)
Tai Chuan Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(30.63%), Chao Long Investment Co., Ltd.(19.71%), Tai Siang Investment Co., Ltd.(18.91%), Tai He Investment Co., Ltd.(15.98%), Tai Chuan Co., Ltd.(2.91%), Hann Bau Co., Ltd.(2.88%), Ein Feng Co., Ltd.(2.74%), Kai Ta Co., Ltd.(2.49%), Reng Hsing Co., Ltd.(1.88%), Hong Shen Co., Ltd.(1.85%)
Hung Yeh Investment Co., Ltd.	Chao Long Investment Co., Ltd.(41.25%), Tai Fa Investment Co., Ltd.(18.58%), Tai Siang Investment Co., Ltd.(18.54%), Tai He Investment Co., Ltd.(9.73%), Hung Gia Investment Co., Ltd.(3.28%), Tai He Real Estate Management Co., Ltd.(1.74%), Tai Lian Investment Co., Ltd.(1.72%), Bau Tzuoh Investment Co., Ltd.(1.52%), Fu Diing Investment Co., Ltd.(1.52%), Tai Chuan Investment Co., Ltd. (0.93%)
Cheng Ta Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(39.58%), Tai Siang Investment Co., Ltd.(32.56%), Chao Long Investment Co., Ltd.(18.60%), Tai He Investment Co., Ltd.(4.65%), Tai Chien Investment Co., Ltd. (1.81%), Hong Long Co., Ltd.(0.92%), Rui Cheng Construction Co., Ltd.(0.49%), Hong Shen Co., Ltd. (0.46%), Tai Sheng Investment Co., Ltd.(0.46%), Full Young Investment Co., Ltd.(0.46%)
Tai Lian Investment Co., Ltd.	Tai Siang Investment Co., Ltd.(43.02%), Chao Long Investment Co., Ltd.(16.65%), Tai Fa Investment Co., Ltd.(15.27%), Tai He Investment Co., Ltd.(8.33%), Ein Feng Co., Ltd.(3.26%), Hann Bau Co., Ltd. (3.26%), Kai Ta Co., Ltd.(3.26%), Hong Shen Co., Ltd.(3.26%), Fu Tai Construction Co., Ltd.(3.23%), Hung Tai Construction Co., Ltd.(0.44%)

Name of Institutional Shareholders	Major Shareholders
Tai Chien Investment Co., Ltd.	Chao Long Investment Co., Ltd.(42.92%), Tai Fa Investment Co., Ltd.(18.07%), Tai Siang Investment Co., Ltd.(18.07%), Tai He Investment Co., Ltd.(11.29%), Tai Chuan Co., Ltd.(1.93%), Hong Shen Co., Ltd.(1.80%), Kai Ta Co., Ltd.(1.68%), Ming Huei Co., Ltd.(1.56%), Jenn Huei Co., Ltd.(1.34%), Reng Hsing Co., Ltd.(1.34%)
Bau Ching Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(19.72%), Tai Siang Investment Co., Ltd.(19.43%), Chao Long Investment Co., Ltd.(19.43%), Chung Yi Construction Co., Ltd.(6.93%), Fu Tai Construction Co., Ltd.(6.93%), Hong Long Co., Ltd.(5.51%), Reng Hsing Co., Ltd.(5.51%), Tai He Investment Co., Ltd.(4.93%), Bau Tzuoh Investment Co., Ltd.(4.35%), Tai Sheng Investment Co., Ltd.(4.35%)
Chung Yi Investment Co., Ltd.	Chao Long Investment Co., Ltd.(28.62%), Tai Siang Investment Co., Ltd.(21.74%), Tai He Investment Co., Ltd.(11.59%), Wang Hsiang Co., Ltd.(6.33%), Hong Shen Co., Ltd.(6.33%), Chung Yi Construction Co., Ltd.(5.98%), Tai Fa Investment Co., Ltd.(5.44%), Yu Chung Enterprise Co., Ltd.(4.57%), Jenn Huei Co., Ltd.(3.44%), Hong Long Co., Ltd.(3.35%)
Full Young Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(38.73%), Tai Siang Investment Co., Ltd.(18.23%), Chao Long Investment Co., Ltd.(18.23%), Tai He Investment Co., Ltd.(6.84%), Hung Tai Construction Co., Ltd.(2.44%), Hong Shen Co., Ltd.(2.36%), Bau Tzuoh Investment Co., Ltd.(2.28%), Tai Sheng Investment Co., Ltd.(2.28%), Fu Tai Construction Co., Ltd.(2.22%), Tai Chuan Co., Ltd.(2.19%)
Lien Mao Investment Co., Ltd.	Tai He Investment Co., Ltd.(45.16%), Chao Long Investment Co., Ltd.(23.23%), Tai Fa Investment Co., Ltd.(9.03%), Tai Siang Investment Co., Ltd.(8.39%), Tai Lian Investment Co., Ltd.(3.55%), Hong Wei Construction Co., Ltd.(2.15%), Tai Sheng Investment Co., Ltd.(1.84%), Tai Chien Investment Co., Ltd.(1.45%), Full Young Investment Co., Ltd.(1.45%), Tai Chuan Co., Ltd.(1.35%)
Wei Wang Investment Co., Ltd.	Tai He Investment Co., Ltd.(36.76%), Chao Long Investment Co., Ltd.(26.10%), Tai Fa Investment Co., Ltd.(12.87%), Tai Siang Investment Co., Ltd.(8.20%), Tzeng Maw Investment Co., Ltd.(4.26%), Bau Ching Investment Co., Ltd.(2.24%), Hong Sheng Construction Co., Ltd.(2.05%), Tai Chuan Investment Co., Ltd.(1.86%), Chung Yi Investment Co., Ltd.(1.83%), Hann Bau Co., Ltd.(1.53%)

Professional qualifications and independence analysis of directors

Mar. 31, 2018

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Name														
Lo, Kenneth C.M.	v		v	v		v		v	v	v		v		0
Lo, Tina Y.			v	v		v			v	v		v		0
Chang, Nelson An-Ping			v	v	v	v	v	v	v	v	v	v		1
Chan, Hou-Sheng	v		v	v	v	v	v	v	v	v	v	v	v	0
Yang, Tony C. Y.			v			v	v	v	v	v	v	v		0
Chen, Shih-Tze			v	v		v			v	v		v		0
Lin, Gordon W.C.			v	v		v	v	v	v	v	v	v		0
Tcheng, George			v	v	v			v	v	v	v	v		0
Lee, Mark			v	v	v	v			v	v	v	v	v	0
Sheng, Bobby			v	v	v	v	v	v	v	v	v	v		1
Yue, Thomas	v	v	v	v	v	v	v	v	v	v	v	v	v	3
Liu, Richard R.C.	v		v	v	v	v	v	v	v	v	v	v	v	0
Lo, Nina			v			v			v	v		v		0
Tung, Ta-Nien		v	v	v	v	v	v	v	v	v	v	v		0
Chang, David C.C.			v			v	v	v	v	v	v	v		0

Note: Please tick the corresponding boxes that apply to the directors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(3) Management Team

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Republic of China	Yang, Tony C.Y.	Male	2012.04.02	2,008,000	0.08	-	-	-	-	Managing Director, DBS Bank(China) MBA, State University of New York at Albany	Director, EverTrust Bank	-	-	-
Deputy President	Republic of China	Chang, David C.C.	Male	2012.03.01	656,965	0.03	35,191	-	-	-	Senior Executive Vice President, O-Bank EMBA, National Chengchi University	Supervisor, IBT Leasing Co., Ltd. Supervisor, IBT International Leasing Corp. Supervisor, IBT Tianjin International Leasing Corp. Director, China Bills Finance Corporation	Senior Vice President	Yang, Becky	2nd Degree
Deputy President	Republic of China	Lee, Elton	Male	2016.03.01	237,000	0.01	-	-	-	-	Senior Executive Vice President, O-Bank MBA, Manchester Business School	Director, EverTrust Bank	-	-	-
Deputy President	Republic of China	Lin, Roger	Male	2017.03.01	492,091	0.02	-	-	-	-	Senior Executive Vice President, O-Bank Master of Science in Finance, Tamkang University	Director, China Bills Finance Corporation	-	-	-
Senior Executive Vice President	Republic of China	Chen, Tessie	Female	2012.01.01	486,000	0.02	-	-	-	-	Executive Vice President, O-Bank Executive Master of Science in Finance, The City University of New York	Director, China Bills Finance Corporation	-	-	-
Senior Executive Vice President	Republic of China	Liu, Nancy	Female	2013.03.01	217,137	0.01	-	-	-	-	Executive Vice President, O-Bank Bachelor of Laws, National Chengchi University	Supervisor, IBT Management Corporation Supervisor, IBT VII Venture Capital Co., Ltd.	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Executive Vice President	Republic of China	Huang, Indra	Male	2016.04.20	6,000	-	-	-	-	-	Executive Vice President, Head of Consumer Banking Division, TC Bank Bachelor of Business Administration, National Cheng Kung University	-	-	-	-
Senior Executive Vice President	Republic of China	Wei, Jonathan	Male	2014.06.06	130,690	0.01	-	-	-	-	Executive Vice President, O-Bank MBA, The University of Texas at Arlington	Director, China Bills Finance Corporation Director, IBT Leasing Co., Ltd. Director, IBT International Leasing Corp. Director, IBT Tianjin International Leasing Corp.	-	-	-
Senior Executive Vice President	Republic of China	Sung, Jerry	Male	2016.11.01	100,000	-	-	-	-	-	Executive Vice President, Cathy United Bank Bachelor of Arts in Sociology, National Taiwan University	-	-	-	-
Executive Vice President	Republic of China	Wang, Angela	Female	2013.12.02	265,000	0.01	-	-	-	-	Senior Vice President, Human Resources Department, En Tie Bank Ph.D. of Economics, Shanghai University of Finance and Economics, China	-	-	-	-
Executive Vice President	Republic of China	Fan, Vivian	Female	2017.04.17	131,393	0.01	-	-	-	-	Senior Vice President, O-Bank Bachelor of Science in Information Management, Fu Jen Catholic University	-	-	-	-
Executive Vice President	Republic of China	Wang, John	Male	2018.01.15	-	-	-	-	-	-	Executive Vice President, Corporate Banking Division 1, TC Bank Bachelor of Business Administration, National Cheng Kung University	-	-	-	-
Executive Vice President	Republic of China	Chin, Teddy	Male	2016.03.01	125,917	0.01	-	-	-	-	Senior Vice President, O-Bank Master of Science in Economics, National Taiwan University	-	-	-	-
Executive Vice President	Republic of China	Lin, Brian	Male	2013.01.15	125,000	0.01	-	-	-	-	Senior Vice President, Commercial Banking/Commercial Banking North, HSBC Bank(Taiwan) MBA, The City University of New York	-	-	-	-
Executive Vice President	Republic of China	Lai, Joseph	Male	2014.03.01	275,000	0.01	-	-	-	-	Senior Vice President, O-Bank MBA, The University of Birmingham	-	-	-	-
Executive Vice President	Republic of China	Yeh, Sherry	Female	2016.03.01	106,000	-	-	-	-	-	Senior Vice President, O-Bank MBA, University of Mississippi	-	-	-	-
Executive Vice President	Republic of China	Shao, Wen	Male	2016.02.01	19,412	-	-	-	-	-	Executive Vice President, IBT International Leasing Corp. MBA, Case Western Reserve University	Director, IBT International Leasing Corp. Director, IBT Tianjin International Leasing Corp.	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Executive Vice President	Republic of China	Hsu, Seline	Female	2017.01.05	-	-	-	-	-	-	Vice President, UnionPay International Co., LTD. Bachelor of Arts in International Business, National Taiwan University	-	-	-	-
Executive Vice President	Republic of China	Fang, Stanley	Male	2018.03.15	-	-	-	-	-	-	Executive Vice President, Taishin International Bank Master of Science in International Business, Tamkang University	-	-	-	-
Executive Vice President	Republic of China	Wu, Tony	Male	2014.03.01	142,131	0.01	-	-	-	-	Senior Vice President, O-Bank EMBA, National Chengchi University	-	-	-	-
Executive Vice President	Republic of China	Lin, Tom	Male	2017.01.01	50,000	-	-	-	-	-	Senior Vice President, O-Bank Master of Science in Computer Science, The Ohio University	-	-	-	-
Executive Vice President	Republic of China	Mo, Michelle	Female	2016.07.01	7,000	-	-	-	-	-	Business Advisor, O-Bank MBA, The George Washington University	-	-	-	-
Executive Vice President	Republic of China	Tyane, Edward	Male	2018.02.01	-	-	-	-	-	-	Executive Vice President, Financial Accounting Division, TC Bank Master of Accountancy, National Cheng Kung University	-	-	-	-
Senior Vice President	Republic of China	Siew, Joy	Female	2018.03.01	76,000	-	-	-	-	-	Vice President, O-Bank Master of Arts in International Relations, The Johns Hopkins University	Director, IBT Management Corporation Director, IBT VII Venture Capital Co., Ltd.	-	-	-
Senior Vice President	Republic of China	Lin, Erick	Male	2018.03.01	132,000	0.01	-	-	-	-	Senior Vice President, O-Bank Master of Science in Finance, National Central University	-	-	-	-
Senior Vice President	Republic of China	Lin, Daisy	Female	2018.03.12	-	-	-	-	-	-	Senior Vice President, Corporate Banking Division 4, TC Bank Bachelor of Arts in Library and Information Science, National Taiwan University	-	-	-	-
Senior Vice President	Republic of China	Fang, Andy	Male	2017.03.01	45,000	-	-	-	-	-	Vice President, O-Bank Master of Science in Information Resource Management, Syracuse University	-	-	-	-
Senior Vice President	Republic of China	Chen, Paul	Male	2017.02.01	4,097	-	-	-	-	-	Vice President, Risk Management Department, China Bills Finance Corp. Master of Accountancy, Soochow University	-	-	-	-
Senior Vice President	Republic of China	Hsiao, Birnice	Female	2018.03.01	4,000	-	-	-	-	-	Vice President, O-Bank Associate of Business Administration, Chungyu design school	-	-	-	-
Senior Vice President	Republic of China	Wu, Allan	Male	2016.03.28	4,000	-	-	-	-	-	Business Advisor, O-Bank Master of Science in Statistics and Actuarial, Feng Chia University	-	-	-	-
Senior Vice President	Republic of China	Cheng, Tina	Female	2017.09.14	-	-	-	-	-	-	Vice President, PCA Life Assurance Co., Ltd. Associate of Banking and Insurance, Ming Chuan women's business School	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Vice President	Republic of China	Liu, Michelle	Female	2017.01.25	-	-	-	-	-	-	Business Advisor, O-Bank Master of Science in Information Resource Management, Syracuse University	-	-	-	-
Senior Vice President	Republic of China	Yang, Becky	Female	2016.05.16	4,000	-	-	-	-	-	Vice President, Strategic Planning & Cards Change Management Head, CitiPhone, Citibank(Taiwan) MBA, Golden Gate University	-	Deputy President	Chang, David C.C.	2nd Degree
Senior Vice President	Republic of China	Yan, Eugene	Male	2016.04.20	5,000	-	-	-	-	-	Vice President, Retail Operation Department, CTBC Bank MBA, Tamkang University	-	-	-	-
Senior Vice President	Republic of China	Tan, Kevin	Male	2018.03.01	75,199	-	10,383	-	-	-	Vice President, O-Bank EMBA, National Chengchi University	-	-	-	-
Senior Vice President	Republic of China	Chiu, Jean	Female	2018.03.01	5,000	-	-	-	-	-	Vice President, O-Bank Bachelor of Science in Information Management, Tamkang University	-	-	-	-
Senior Vice President	Republic of China	Wang, Daisy	Female	2018.03.01	5,000	-	-	-	-	-	Vice President, O-Bank Bachelor of Science in Information Management, Tamkang University	-	-	-	-
Vice President	Republic of China	Chang, Wesley	Male	2015.11.01	26,000	-	-	-	-	-	Assistant Vice President, O-Bank Master of Law in International and European Business law, The University of Leeds	-	-	-	-
Vice President	Republic of China	Soong, Grace	Female	2014.04.23	55,000	-	-	-	-	-	Vice President, TTS Sales Consultant Citi Transaction Services, Citibank(Taiwan) MBA, University of California	-	-	-	-
Vice President	Republic of China	Lee, Daisy	Female	2017.04.17	26,000	-	-	-	-	-	Assistant Vice President, O-Bank MBA, Cornell University	-	-	-	-
Vice President	Republic of China	Chang, Wayne	Male	2018.01.01	-	-	-	-	-	-	Vice President, O-Bank MBA, National Chiao Tung University	-	-	-	-
Vice President	Republic of China	Liu, David	Male	2011.07.01	10,000	-	-	-	-	-	Assistant Vice President, O-Bank MBA, National Cheng Kung University	-	-	-	-
Vice President	Republic of China	Lin, Jerry	Male	2017.01.01	74,042	-	10,383	-	-	-	Assistant Vice President, O-Bank Bachelor of Science in Computer Science and Information Engineering, Tamkang University	-	-	-	-
Assistant Vice President	Republic of China	Chang, Michael	Male	2014.08.27	66,732	-	-	-	-	-	Manager, O-Bank Executive Master of Business Administration in International Finance, National Taipei University	-	-	-	-
Assistant Vice President	Republic of China	Tsai, Rex	Male	2018.01.01	8,000	-	-	-	-	-	Assistant Vice President, O-Bank MBA, The University of Management and Technology	-	-	-	-
Manager	Republic of China	Chen, Linzy	Female	2018.01.10	-	-	-	-	-	-	Manager, O-Bank Bachelor of Business Administration, National Taipei University	-	-	-	-

3. Remuneration of Directors, President, Vice Presidents and Remuneration of Employees in the Most Recent Fiscal Year

(1) Remuneration of Directors

Unit: NT\$ thousands; December 31, 2017

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Lo, Kenneth C.M.	20,703	20,703	333	333	-	-	1,032	1,032	2.1	2.1	-	-	-	-	-	-	-	-	2.1	2.1	None
Vice Chairman	Lo, Tina Y.	17,567	18,357	278	278	-	-	1,595	1,930	1.8	1.9	-	-	-	-	-	-	-	-	1.8	1.9	None
Chairman	Yi Chang Investment Co., Ltd. (Rep.: Lo, Kenneth C.M.)	15,582	16,214	-	-	31,839	31,839	924	1,470	4.5	4.6	62,270	69,890	306	306	1,839	-	1,839	-	10.5	11.3	None
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)																					
Managing Director	Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping)(Note3)																					
	Taiwan Cement Corporation (Rep.: Koo, Leslie) (Note3)																					
Independent Managing Director	Chan, Hou-Sheng																					
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yang, Tony C. Y.) (Note4)																					
Director	Tai Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze)																					
Director	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)																					
Director	Abag Investment Holdings Co., Ltd. (Rep.:Tcheng, George) (Note4)																					
	San Ho Plastics Fabrication Co., Ltd. (Rep.:Tcheng, George) (Notes5)																					
	Director																					
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)																					
Independent Director	Yue, Thomas																					
Independent Director	Liu, Richard R.C.																					
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina)																					
Director	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)																					
Director	Tai Ya Investment Co., Ltd. (Rep.: Chang, David C.C.) (Note4)																					
	Chang Fu Investment Co., Ltd. (Rep.:Huang, Eddie) (Notes5)																					

Note 1: Compensation for chauffeurs assigned to directors amounted to NT\$2,151,000 and that for those assigned to employees charged with concurrent posts, NT\$1,603,000.

Note 2: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2017. The amount given here is an estimate based on the actual distribution for 2016.

Note 3: Juristic-person director Taiwan Cement Corp. reappointed Chang, Nelson An-Ping as its representative on January 23, 2017; the Board of Directors elected Chang as managing director on February 22, 2017.

Note 4: The tenure of members of the 7th Board of Directors runs from June 14, 2017 through June 13, 2020. Yang, Tony C.Y. assumed office as managing director on June 14, 2017.

Note 5: The tenure of members of the 6th Board of Directors expired on June 13, 2017.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Koo, Leslie; Chang, Nelson An-Ping; Yang, Tony C. Y.; Chen, Shih-Tze; Lin, Gordon W.C.; Abag Investment Holdings Co., Ltd.; San Ho Plastics Fabrication Co., Ltd.; Tcheng, George; Pioneer Chemical Corp.; Sheng, Bobby; Yue, Thomas; Liu Richard R.C.; Lo, Nina; Chang Fu Investment Co., Ltd.; Chang, David C.C.; Huang, Eddie	Koo, Leslie; Chang, Nelson An-Ping; Yang, Tony C. Y.; Chen, Shih-Tze; Lin, Gordon W.C.; Abag Investment Holdings Co., Ltd.; San Ho Plastics Fabrication Co., Ltd.; Tcheng, George; Pioneer Chemical Corp.; Sheng, Bobby; Yue, Thomas; Liu, Richard R.C.; Lo, Nina; Chang Fu Investment Co., Ltd.; Chang, David C.C.; Huang, Eddie	Koo, Leslie; Chang, Nelson An-Ping; Chen, Shih-Tze; Lin, Gordon W.C.; Abag Investment Holdings Co., Ltd.; San Ho Plastics Fabrication Co., Ltd.; Tcheng, George; Pioneer Chemical Corp.; Sheng, Bobby; Yue, Thomas; Liu, Richard R.C.; Lo, Nina; Chang Fu Investment Co., Ltd.; Huang, Eddie	Koo, Leslie; Chang, Nelson An-Ping; Chen, Shih-Tze; Abag Investment Holdings Co., Ltd.; San Ho Plastics Fabrication Co., Ltd.; Tcheng, George; Pioneer Chemical Corp.; Sheng, Bobby; Yue, Thomas; Liu, Richard R.C.; Lo, Nina; Chang Fu Investment Co., Ltd.; Huang, Eddie
NT\$2,000,001 ~ NT\$5,000,000	Taiwan Cement Corporation; Chan, Hou-Sheng; Tai Ya Investment Co., Ltd.; Lee, Mark; Wang Hsiang Co., Ltd.	Taiwan Cement Corporation; Chan, Hou-Sheng; Tai Ya Investment Co., Ltd.; Lee, Mark; Wang Hsiang Co., Ltd.	Taiwan Cement Corporation; Chan, Hou-Sheng; Tai Ya Investment Co., Ltd.; Lee, Mark; Wang Hsiang Co., Ltd.	Taiwan Cement Corporation; Chan, Hou-Sheng; Tai Ya Investment Co., Ltd.; Lee, Mark; Wang Hsiang Co., Ltd.
NT\$5,000,001 ~ NT\$10,000,000	Ming Shan Investment Co., Ltd.	Ming Shan Investment Co., Ltd.	Ming Shan Investment Co., Ltd.	Ming Shan Investment Co., Ltd.; Lin, Gordon W.C.
NT\$10,000,001 ~ NT\$15,000,000	Yi Chang Investment Co., Ltd.	Yi Chang Investment Co., Ltd.	Yi Chang Investment Co., Ltd.; Chang, David C.C.	Yi Chang Investment Co., Ltd.; Chang, David C.C.
NT\$15,000,001 ~ NT\$30,000,000	Lo, Kenneth C.M.; Lo, Tina Y.	Lo, Kenneth C.M.; Lo, Tina Y.	Lo, Kenneth C.M.; Lo, Tina Y.	Lo, Kenneth C.M.; Lo, Tina Y.
NT\$30,000,001 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,001 ~ NT\$100,000,000	-	-	Yang, Tony C. Y.	Yang, Tony C. Y.
Over NT\$100,000,000	-	-	-	-
Total	25	25	25	25

Note: The compensation amounts disclosed here are not a conceptual equivalent to the "income" defined in the Income Tax Act. As such, these numbers are meant for information disclosure instead of taxation.

(2) Remuneration of President and Vice Presidents

Unit: NT\$ thousands; December 31, 2017

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Compensation Paid to President and Vice Presidents from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Bonus to Supervisors (C) (note1)		Allowances (D) (note2)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements				
								Cash	Stock	Cash	Stock			
President	Yang, Tony C.Y.	95,683	95,683	2,548	2,548	103,756	103,756	4,491	-	4,491	-	19.3	19.3	None
Deputy President	Chang, David C.C.													
Deputy President	Lee, Elton													
Deputy President	Lin, Roger													
Senior Executive Vice President	Sung, Jerry													
Senior Executive Vice President	Chen, Tessie													
Senior Executive Vice President	Huang, Indra													
Senior Executive Vice President	Liu, Nancy													
Senior Executive Vice President	Wei, Jonathan													
Executive Vice President	Wang, Angela													
Executive Vice President	Fan, Vivian(note3)													
Executive Vice President	Chung, Sophia(note3)													
Executive Vice President	Chin, Teddy													
Executive Vice President	Lin, Brian													
Executive Vice President	Lai, Joseph													
Executive Vice President	Jen, Paul													
Executive Vice President	Shao, Wen													
Executive Vice President	Yeh, Sherry													
Executive Vice President	Hsu, Seline(note3)													
Executive Vice President	Mo, Michelle													
Executive Vice President	Kuo, Jonathan													
Executive Vice President	Li, Eric(note3)													
Executive Vice President	Cheng, Jamie(note3)													
Executive Vice President	Wu, Tony													
Executive Vice President	Lin, Tom													

Note 1: Compensation for chauffeurs amounted to NT\$2,703,000.

Note 2: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2017. The amount given here is an estimate based on the actual distribution for 2016.

Note 3: 2017 tenure of managerial officers: Fan, Vivian (4/17-12/31); Chung, Sophia (1/1-4/16); Hsu, Seline (1/5-12/31), Li, Eric (1/1-3/15), and Cheng, Jamie (1/1-3/17).

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Chung, Sophia; Li, Eric; Cheng, Jamie	Chung, Sophia; Li, Eric; Cheng, Jamie
NT\$2,000,001 ~ NT\$5,000,000	Fan, Vivian; Chin, Teddy; Lai, Joseph; Wu, Tony; Kuo, Jonathan; Mo, Michelle; Lin, Tom	Fan, Vivian; Chin, Teddy; Lai, Joseph; Wu, Tony; Kuo, Jonathan; Mo, Michelle; Lin, Tom
NT\$5,000,001 ~ NT\$10,000,000	Liu, Nancy; Huang, Indra; Wei, Jonathan; Wang, Angela; Lin, Brian; Jen, Paul; Yeh, Sherry; Shao, Wen; Hsu, Seline	Liu, Nancy; Huang, Indra; Wei, Jonathan; Wang, Angela; Lin, Brian; Jen, Paul; Yeh, Sherry; Shao, Wen; Hsu, Seline
NT\$10,000,001 ~ NT\$15,000,000	Chang, David C. C.; Lin, Roger; Sung, Jerry; Chen, Tessie	Chang, David C.C.; Lin, Roger; Sung, Jerry; Chen, Tessie
NT\$15,000,001 ~ NT\$30,000,000	Lee, Elton	Lee, Elton
NT\$30,000,001 ~ NT\$50,000,000	-	-
NT\$50,000,001 ~ NT\$100,000,000	Yang, Tony C. Y.	Yang, Tony C. Y.
Over NT\$100,000,000	-	-
Total	25	25

Note: Given conceptual differences, the numbers given here are meant for information disclosure instead of taxation.

(3) Remuneration of Employees

Unit: NT\$ thousands; December 31, 2017

	Title	Name	Employee Compensation- in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive officers	President	Yang, Tony C. Y.	-	4,491	4,491	0.4
	Deputy President	Chang, David C.C.				
	Deputy President	Lee, Elton				
	Deputy President	Lin, Roger				
	Senior Executive Vice President	Sung, Jerry				
	Senior Executive Vice President	Chen, Tessie				
	Senior Executive Vice President	Huang, Indra				
	Senior Executive Vice President	Liu, Nancy				
	Senior Executive Vice President	Wei, Jonathan				
	Executive Vice President	Wang, Angela				
	Executive Vice President	Fan, Vivian (note2)				
	Executive Vice President	Chin, Teddy				
	Executive Vice President	Lin, Brian				
	Executive Vice President	Lai, Joseph				
	Executive Vice President	Jen, Paul				
	Executive Vice President	Shao, Wen				
	Executive Vice President	Yeh, Sherry				
	Executive Vice President	Hsu, Seline(note2)				
	Executive Vice President	Mo, Michelle				
	Executive Vice President	Kuo, Jonathan				
	Executive Vice President	Wu, Tony				
	Executive Vice President	Lin, Tom				

Note 1: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2017. The amount given here is an estimate based on the actual distribution for 2016.

Note 2: 2017 tenure of managerial officers: Fan, Vivian (4/17-12/31); Hsu, Seline (1/5-12/31).

(4) Analysis of the Compensation for Directors, the President, and Vice Presidents During the Most Recent Two Years:

A. The Bank's *Articles of Incorporation* prescribe distribution of director remunerations and employee remunerations as the following:

Article 22

If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations, but independent directors shall be excluded from such distribution. If the Bank has accumulated losses, however, the aforesaid profit shall be used to offset accumulated losses first.

Article 32

If the Bank records a profit in a year, the Bank shall set aside 1-2.5% of the profit for employee remunerations. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.

B. With regard to compensation for the president and vice presidents, the Bank basically takes into consideration what is being paid in the industry when deciding on fixed pay that is commensurate with their respective positions. Variable pay, on the other hand, is subject to the Bank's business performance and the personal contributions of the managerial officers in question, based on which reasonable distribution is to be achieved. All in all, variable pay accounts for a higher percentage of the total compensation than fixed pay because the former already takes account of incentive compensation and the risk and responsibility the said managerial officers are called upon to assume while performing their duties.

The Bank's Board of Directors has set up the Compensation Committee. Composed of the entire number of independent directors, the committee is intended to assist the board in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting, the committee also assesses remunerations for directors and managerial officers on a regular basis.

C. The Bank and all the companies covered by its consolidated financial statements paid remunerations of NT\$315,772,000 and NT\$306,249,000 to directors, the president, and vice presidents in 2016 and 2017 respectively. The two sums accounted for 11.1% and 28.6% of the Bank's consolidated net income recorded in 2016 and 2017. The higher percentage registered in 2017 reflected a decline in net income due to the Bank's retail banking business investing larger sums and launching into online banking.

4. Implementation of Corporate Governance

(1) Board of Directors

A. Board of Managing Directors

A total of 9 (A) meetings of the 6th Board of Managing Directors were held in the previous period (Jan. 1~ Jun. 13, 2017). The attendance of managing directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep. : Lo, Kenneth C. M.)	7	1	78	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)	6	2	67	
Managing Director	Taiwan Cement Corporation (Rep. : Koo, Leslie)	0	1	0	Required attendance: 1
	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	4	4	50	Required attendance: 8
Independent Managing Director	Chan, Hou-Sheng	9	0	100	
Managing Director	Yi Chang Investment Co., Ltd. (Rep. : Lin, Gordon W.C.)	8	1	89	

Note: Koo, Leslie, representative of juristic-person director Taiwan Cement Corp., was replaced by Chang, Nelson An-ping on January 23, 2017; Chang was elected as managing director on February 22 of the same year.

A total of 13 (A) meetings of the 7th Board of Managing Directors were held in the previous period (Jun. 14 ~ Dec. 31, 2017). The attendance of managing directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep. : Lo, Kenneth C. M.)	12	1	92	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)	11	2	85	
Managing Director	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	5	7	38	
Independent Managing Director	Chan, Hou-Sheng	13	0	100	
Managing Director	Yi Chang Investment Co., Ltd. (Rep. : Yang, Tony C.Y.)	12	1	92	

B. Board of Directors

A total of 4 (A) meetings of the 6th Board of Directors were held in the previous period (Jan. 1~ Jun. 13, 2017). The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep. : Lo, Kenneth C. M.)	3	0	75	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)	1	2	25	
Managing Director	Taiwan Cement Corporation (Rep. : Koo, Leslie)	0	1	0	Required attendance: 1
	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	1	2	33	Required attendance: 3
Independent Managing Director	Chan, Hou-Sheng	4	0	100	
Managing Director	Yi Chang Investment Co., Ltd. (Rep. : Lin, Gordon W.C.)	4	0	100	
Director	Tai Ya Investment Co., Ltd. (Rep.: Chen, Shih-Tze)	3	1	75	
Director	San Ho Plastics Fabrication Co., Ltd. (Rep.: Tcheng, George)	4	0	100	
Director	Lee, Mark	4	0	100	
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)	3	1	75	
Independent Director	Yue, Thomas	4	0	100	
Independent Director	Liu, Richard R.C.	4	0	100	
Director	Yi Chang Investment Co., Ltd. (Rep. : Yang, Tony C.Y.)	4	0	100	
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina)	2	2	50	
Director	Chang Fu Investment Co., Ltd. (Rep.: Huang, Eddie)	2	2	50	
Director	Wang Hsiang Co., Ltd. (Rep.: Tung, Ta-Nien)	4	0	100	

Note: Koo, Leslie, representative of juristic-person director Taiwan Cement Corp., was replaced by Chang, Nelson An-ping on January 23, 2017; Chang was elected as managing director on February 22 of the same year.

A total of 5 (A) meetings of the 7th Board of Directors were held in the previous period (Jun. 14 ~ Dec. 31, 2017). The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep. : Lo, Kenneth C. M.)	5	0	100	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)	5	0	100	
Managing Director	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	2	3	40	
Independent Managing Director	Chan, Hou-Sheng	5	0	100	
Managing Director	Yi Chang Investment Co., Ltd. (Rep. : Yang, Tony C.Y.)	4	1	80	
Director	Tai Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze)	5	0	100	
Director	Yi Chang Investment Co., Ltd. (Rep. : Lin, Gordon W.C.)	5	0	100	
Director	Abag Investment Holdings Co., Ltd. (Rep.: Tcheng, George)	5	0	100	
Director	Lee, Mark	5	0	100	
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)	5	0	100	
Independent Director	Yue, Thomas	5	0	100	
Independent Director	Liu, Richard R.C.	5	0	100	
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina)	5	0	100	
Director	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)	4	1	80	
Director	Tai Ya Investment Co., Ltd. (Rep.: Chang, David C.C.)	5	0	100	

Other mentionable items:

- (A) If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
- Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable because, as required by law, the Bank has established the Audit Committee.
 - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.

(B) If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2017.2.22	Release of non-competition restrictions on directors	Nelson An-Ping Chang	In compliance with Article 14 of the <i>Procedural Rules Governing Board Meetings</i> (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Kenneth C.M. Lo, Tina Y. Lo (abstention), Nelson An-Ping Chang		
	Proposal for making a donation to the IBT Education Foundation	Kenneth C.M. Lo, Gordon W.C. Lin, Shih-Tze Chen, Nina Lo (abstention)		
	Proposal for director remunerations and employee remunerations for 2016	Directors recusing themselves from motion on director remunerations: the entire number of non-independent directors—Kenneth C.M. Lo, Tina Y. Lo (abstention), Nelson An-Ping Chang, Gordon W.C. Lin, Shih-Tze Chen, George Tcheng, Mark Lee, Bobby Sheng, Tony C. Y. Yang, Nina Lo (abstention), Eddie Huang (abstention), Ta-Nien Tung Directors recusing themselves from motion on employee remunerations: Tony C. Y. Yang (3 abstentions: Tina Y. Lo, Nina Lo, Eddie Huang)		
2017.3.22	Amendment to the monthly base salary scale applicable to employees of all levels in Taiwan and Hong Kong	Tony C. Y. Yang		
	Reappointment concerning the chairman of IBT Leasing Co., Ltd.	Gordon W.C. Lin		
2017.4.28	Application for release of non-competition restrictions on members of the 7th Board of Directors (including independent directors) and the juristic persons they represent	Non-independent director nominees recusing themselves: the entire number of non-independent directors—Kenneth C.M. Lo, Tina Y. Lo (abstention), Nelson An-Ping Chang (abstention), Gordon W. C. Lin, Shih-Tze Chen, George Tcheng, Mark Lee, Bobby Sheng (abstention), Tony C. Y. Yang, Nina Lo, Ta-Nien Tung Independent director nominees recusing themselves: Thomas Yue, Richard R.C. Liu (3 abstentions: Tina Y. Lo, Nelson An-Ping Chang, Bobby Sheng)		
	Proposal for making a donation to the Criminal Investigation and Prevention Association	Tina Y. Lo (abstention)		
2017.6.14	Reappointment of the president and managerial officers at vice president level	Tony C. Y. Yang, David C.C. Chang		

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2017.6.29	Proposal for the Bank's expanding investment in its subsidiary China Bills Finance Corp.	David C.C. Chang		
2017.8.23	Proposal for making a donation to the National Taiwan University Economic Research Foundation	Kenneth C.M. Lo		
	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	Tina Y. Lo		
2017.10.31	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Kenneth C.M. Lo, Tina Y. Lo, Nelson An-Ping Chang		
2017.12.27	Application to the competent authority, on behalf of the Bank's subsidiary IBT Leasing Co., Ltd., for expanding investment in IBT International Leasing Corp.	Gordon W.C. Lin		
	Proposal for making a donation to the Friends of the Police Association	Tina Y. Lo		
2017.2.22	Signing of insurance agent contracts with Taian Insurance Co., Ltd.	George Tcheng	In compliance with Article 33-1 of the Banking Act (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
2017.3.22	A borrower's application for changing its responsible person	Nelson An-Ping Chang (abstention)		

(C) Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

- To ensure effective corporate governance, the Bank introduced the Audit Committee to its 5th Board of Directors in accordance with the *Securities and Exchange Act* on June 13, 2011. Three independent directors were called upon to make up the Audit Committee, and the Bank's *Audit Committee Organizational Rules* were enacted accordingly. Also put in place were the Bank's *Regulations Governing the Scope of Duties of Independent Directors*. On October 31, 2017, the Board of Directors approved amendments to both the *Audit Committee Organizational Rules* and *Regulations Governing the Scope of Duties of Independent Directors*.

- To accommodate statutory revisions by the competent authority and further bolster the involvement of independent directors in the functioning of the Board of Directors, the board approved amendments to the Bank's *Procedural Rules Governing Board Meetings* on April 28 and October 31, 2017 respectively.
- To build a sound corporate governance system and promote sound business development, the Board of Directors approved *O-Bank Co., Ltd. Corporate Governance Principles* on December 27, 2017.
- In line with compensation management trends, the Bank established the Compensation Committee and adopted the *Compensation Committee Organizational Rules* in 2009. It was followed by the board's changing the Chinese name of the foregoing organizational rules on December 28, 2011. The committee is composed of the entire number of independent directors. In accordance with statutory revisions, the Board of Directors approved amendments to the *Compensation Committee Organizational Rules* as well as changing the Chinese name of the Compensation Committee on December 28, 2016.
- To fulfill corporate social responsibility, the Bank established the Corporate Social Responsibility Committee under the Board of Directors in 2015. On the front of CSR, the Bank commits itself to the following five key areas: corporate governance, customer relations, employee care, environmental protection, and social engagement. The *Corporate Social Responsibility Committee Organizational Rules* and *Corporate Social Responsibility Principles* are put in place to help track implementation status and results, thereby attaining the ultimate goal of sustainable development. On December 28, 2016, the Board of Directors approved changing the Chinese names of the *Corporate Social Responsibility Committee Organizational Rules* and *Corporate Social Responsibility Principles* (in preparation for the effectiveness of the Bank's name change to O-Bank Co., Ltd. on Jan. 2017).

(2) Audit Committee

To ensure effective corporate governance, the Board of Directors adopted the resolution on establishing the Audit Committee in lieu of supervisors and enacted the *Audit Committee Organizational Rules* on February 24, 2011. Established on June 13 of the same year upon approval of a general shareholders' meeting, the Audit Committee is composed of the entire number of independent directors. It is supposed to perform the following duties: enact or amend the internal control system and evaluate its effectiveness; enact or amend the SOP of major financial activities such as acquisition or disposal of assets and derivatives transactions; review matters in which directors have personal interests; review major asset or derivatives transactions; review major instances of lending funds or providing endorsements or guarantees; review the offering, issuance, or private placement of equity securities; review the appointment, dismissal, or compensation of CPAs; review the appointment and dismissal of financial, accounting, or internal audit managerial officers; review annual and semi-annual financial statements; and review other major items required by the Bank or the competent authority.

A total of 4 (A) of the 2nd Audit Committee meetings were held in the previous period (Jan. 1~ Jun. 13, 2017).

The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Managing Director	Chan, Hou-Sheng	4	0	100	
Independent Director	Yue, Thomas	4	0	100	
Independent Director	Liu, Richard R.C.	4	0	100	

A total of 5 (A) of the 3rd Audit Committee meetings were held in the previous period (Jun. 14 ~ Dec. 31, 2017).

The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Managing Director	Chan, Hou-Sheng	5	0	100	
Independent Director	Yue, Thomas	5	0	100	
Independent Director	Liu, Richard R.C.	5	0	100	

Other mentionable items:

A. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(A) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Date	Content of Motion	Resolution of the Audit Committee	The Bank's response to the Audit Committee's opinion
2017.1.17	Lending to Goldsun Co., Ltd.	Unanimous approval for motion to be submitted to the Board of Directors	Managing director Koo, Leslie appointed his proxy and indicated his abstention on this motion. The other attending directors gave their approval.
2017.2.22	Parent financial statements for 2016	With the exception of the Principles for Three Lines of Defense for Internal Control for which amendments were proposed, the other motions were adopted by unanimous approval and submitted to the Board of Directors.	With the exception of some motions where directors cited conflicts of interest and recused themselves from the discussion and voting process, the other motions were adopted by approval of all the attending directors.
	Proposal for distribution of 2016 earnings		
	Amendment to 2017 audit plan		
	Enactment of the <i>Principles for Three Lines of Defense for Internal Control</i>		
	Signing of insurance agent contracts with Taian Insurance Co., Ltd.		
	Proposal for making donations to the Chinese National Association of Industry and Commerce and IBT Education Foundation		
	Transfer of the chief auditor		

Date	Content of Motion	Resolution of the Audit Committee	The Bank's response to the Audit Committee's opinion
2017.3.22	Business report and consolidated financial statements for 2016	Unanimous approval for motion to be submitted to the Board of Directors	With the exception of some motions where directors cited conflicts of interest and recused themselves from the discussion and voting process, the other motions were adopted by approval of all the attending directors.
	2016 Statement on Internal Control		
	Application by TCC Chemical Corp. to change its responsible person		
2017.4.28	Appointment and compensation of CPAs for 2017 and 2018	Unanimous approval for motion to be submitted to the Board of Directors	
	Consolidated financial statements for the first quarter of 2017		
	Proposal for making a donation to the Criminal Investigation and Prevention Association		
2017.6.14	Election of convener and chair of the 3rd Audit Committee	Election of independent director Thomas Yue as convener and chairman of the 3rd Audit Committee	-
	Reappointment of the accounting and financial managerial officers and chief auditor	Unanimous approval for motion to be submitted to the Board of Directors	Adopted by approval of all the attending directors.
2017.6.29	Proposal for applying to the competent authority for the Bank to expand investment in its subsidiary China Bills Finance Corp.	Unanimous approval for motion to be submitted to the Board of Directors	With the exception of some motions where directors cited conflicts of interest and recused themselves from the discussion and voting process, the other motions were adopted by approval of all the attending directors.
2017.8.23	Consolidated and parent financial statements for the first half of 2017	Unanimous approval for motion to be submitted to the Board of Directors	
	Application by Hota Industrial Manufacturing Co., Ltd. to change terms and conditions of lending		
	Proposal for making donations to the National Taiwan University Economic Research Foundation and Eisenhower Fellows Association in the R.O.C.		
2017.10.31	Consolidated financial statements for the third quarter of 2017	Unanimous approval for motion to be submitted to the Board of Directors	
	Proposal for making a donation to the Chinese National Association of Industry and Commerce		
2017.12.27	Enactment of the Bank's <i>Corporate Governance Principles</i>	Unanimous approval for motion to be submitted to the Board of Directors	
	Evaluation results of audits undertaken by subsidiaries in 2017		
	2018 Internal audit plan for the insurance agent business		
	Audit plan for 2018		
	Issuance of 2018 statement on risk management at the Bank's business entities in the U.S.		
	Application by Hota Industrial Manufacturing Co., Ltd. for a line of credit		
	Application by Grand Pacific Investment Co., Ltd. for lending		
	Proposal for applying to the competent authority, on behalf of the Bank's subsidiary IBT Leasing Co., Ltd., for expanding investment in IBT International Leasing Corp.		
	Proposal for making a donation to the Friends of the Police Association		

(B) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors : None.

B. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2017.4.28	Application for release of non-competition restrictions on members of the 7th Board of Directors (including independent directors) and the juristic persons they represent	Thomas Yue, Richard R.C. Liu	In compliance with Article 14 of the <i>Procedural Rules Governing Board Meetings</i> (Interested Parties)	The Bank's independent directors stand by the principle of recusal and refrain from voting on motions that may cause conflicts of interest.

C. Communications between the independent directors, the Company's chief internal auditor and CPAs

(A) Communication between the chief internal auditor and independent directors:

- In addition to submitting updates of its work to independent directors every February and August, the Auditing Department communicates with independent directors at audit seminars held on a regular basis; the minutes of such seminars are presented to the Board of Directors.
- Each year the Bank issues a statement on internal control, which will be submitted to the Board of Directors for approval after being examined by the Audit Committee.
- The reports compiled by the Auditing Department after its audits of the Bank's departments and subsidiaries are submitted to independent directors.
- With respect to the opinions of and shortfalls detected by financial examination agencies, CPAs, internal audit units, and various departments after self-audits, as well as the items specified by the Statement on Internal Control as in need of improvement, the Auditing Department is responsible for conducting follow-up examination and submitting reports on the status of improvement to the Audit Committee and Board of Directors.
- Before a fiscal year runs its course, the Auditing Department is supposed to present the audit plan for the following year to the Audit Committee for review and to the Board of Directors for approval.
- A summary of the communication between the chief internal auditor and independent directors in 2017 is as follows:

Date	Matter of Communication	Result of Communication
2017.2.22	Report (Table B) on Follow-up Improvement Based on the Examination Opinions in response to the FSC's routine audit in 2016	Approval for reference
	Report (Table B) on Follow-up Improvement Based on Examination Opinions in response to the FSC's special audit of the Bank's information operations in 2016	Approval for reference
	Undertaking of audit operations in 2016	Approval for reference
	Status of improvement in response to examination opinions raised by the FDIC about EverTrust Bank in 2016	Approval for reference
	The Strength of Support Assessment (SOSA) report issued by the FRBSF on EverTrust Bank and the Bank's U.S. operations	Approval for reference
	The FRB report on IBT Holdings Corp.	Approval for reference
	Amendment to 2017 audit plan	No objection raised for submission to the Board of Directors
	Review of the internal control system	Implementation as proposed

Date	Matter of Communication	Result of Communication
2017.3.22	Report (Table B) on Follow-up Improvement Based on Examination Opinions in response to the FSC's routine audit in 2016	Approval for reference
	Report on risk assessment in relation to money laundering and financing of terrorism as well as review of implementation of measures for preventing money laundering and countering financing of terrorism in 2016	Approval for reference
	2016 Statement on Internal Control	No objection raised for submission to the Board of Directors
2017.4.28	Report (Table B) on Follow-up Improvement Based on Examination Opinions in response to the FSC's routine audit in 2016	Approval for reference
	Report (Table B) on Follow-up Improvement Based on Examination Opinions in response to the FSC's special audit of the Bank's information operations in 2016	Approval for reference
2017.6.29	Report (Table B) on Follow-up Improvement Based on Examination Opinions in response to the FSC's routine audit in 2016	Approval for reference
	CPAs' 2016 audit report on the internal control system	Approval for reference
	Analytical report on repetitive deficiencies in the audits done by various departments during 2012-2016	Approval for reference
2017.8.23	Report (Table B) on Follow-up Improvement Based on Examination Opinions in response to the FSC's routine audit in 2016	Approval for reference
	Undertaking of audit operations in the first half of 2017	Approval for reference
	Promotion of the Procedures for Ethical Corporate Management and Guidelines for Conduct and review of the internal control system	Implementation as proposed
2017.10.31	Report on engaging KPMG Advisory Services Co., Ltd. for a special audit of the Bank's SFDC cloud service platform	Approval for reference
	Assurance report by CPAs after their special audit of the Bank's personal information protection in 2016	Approval for reference
	Statement on the Bank's design of its internal control system for preventing money laundering and countering financing of terrorism and implementation thereof in the first half of 2017	Approval for reference
	Assurance report by CPAs after their special audit of the Bank's work on preventing money laundering and countering financing of terrorism in the first half of 2017	Approval for reference
	Evaluation results of audits undertaken by various departments in 2017	Approval for reference
2017.12.27	Report on examination of the insurance agent business in 2017	Approval for reference
	Report on engaging KPMG Advisory Services Co., Ltd. for a special audit of the Bank's SFDC cloud service platform	Approval for reference
	Report (Table B) on Follow-up Improvement Based on Examination Opinions in response to the FSC's special audit of the Bank's digital banking services in 2017	Approval for reference
	Status of improvement based on Central Deposit Insurance Corp.'s opinion about audit done to the Bank regarding the accuracy of the deposit assessment base for the second half of 2017	Approval for reference
	Evaluation results of audits undertaken by subsidiaries in 2017	No objection raised for submission to the Board of Directors
	2018 Plan for audit operations	No objection raised for submission to the Board of Directors
	2018 Internal audit plan for the insurance agent business	No objection raised for submission to the Board of Directors

(B) Communication between CPAs and independent directors:

- a. By means of briefing at semi-annual meetings, certified public accountants Yang, Chen-hsiu and Chen, Li-chi of Deloitte & Touche report to and communicate with independent directors about the scope, method, priorities, and discoveries of their semi-annual and annual audits, highlights and results of internal control audits, and matters related to their auditing and attesting to the Bank's financial statements.

- b. A summary of the communication between CPAs and independent directors as well as the reports presented therein in 2017 is as follows:

Date	Matter of Communication	Result of Communication
2017.2.22	Audit of parent financial statements for 2016 and key audit matters	Unanimous approval for submission to the Board of Directors
2017.3.22	Audit of consolidated financial statements for 2016 and key audit matters	Unanimous approval for submission to the Board of Directors
2017.4.28	Review of consolidated financial statements for the first quarter of 2017	Unanimous approval for submission to the Board of Directors
2017.8.23	Audit of consolidated and parent financial statements for the first half of 2017 and key audit matters	Unanimous approval for submission to the Board of Directors
2017.10.31	Review of consolidated financial statements for the third quarter of 2017	Unanimous approval for submission to the Board of Directors
2017.12.27	Audit plan for 2017	Undertaken in accordance with applicable regulations

(For more details of the communication between the Bank's independent directors and its chief internal auditor and CPAs, please also refer to the Bank's website: <https://www.o-bank.com>)

(3) Disclosures required under the *Banking Industry Corporate Governance Best-Practice Principles*

Please refer to the Bank's website (<https://www.o-bank.com>) and the Market Observation Post System (<http://mops.twse.com.tw>).

(4) Corporate Governance Implementation Status and Deviations from the *Corporate Governance Best-Practice Principles for Banks*

Item Evaluated	Status			Deviations (if any) from the <i>Corporate Governance Best-Practice Principles for Banks</i> and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Shareholding Structure and Shareholders' Equity				In Compliance with applicable provisions of the <i>Corporate Governance Best-Practice Principles for Banks</i>
(1) Does the Bank enact a set of internal operational procedures for handling shareholder proposals, doubts, disputes, and litigations, as well as act in accordance with the said procedures?	v		(1) On the Bank's website, the section for investors contains "Contact Us" and the section for corporate governance offers direct access to services meant specifically for stakeholder-shareholders. Shareholders may, by phone or email, present proposals, doubts, disputes, and litigations, and the Bank's designated personnel will respond to them as warranted.	
(2) Does the Bank have access to the identity of major shareholders who have actual control over the Bank as well as that of their ultimate control persons?	v		(2) As required by regulations, the Bank files monthly reports on stockholding changes of major shareholders and insiders. Verification of the roster of shareholders is conducted to coincide with book closure.	
(3) Does the Bank establish and implement risk management and firewall mechanisms for its dealings with affiliated businesses?	v		(3) The Bank and its affiliated businesses have in place clearly defined division of management duties and powers. The <i>O-Bank Co., Ltd. Regulations on Investee Management</i> is enacted precisely for this purpose.	

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
2. Composition and Duties of the Board of Directors (1) Besides setting up the Compensation Committee and Audit Committee, as required by law, does the Bank voluntarily establish other functional committees? (2) Does the Bank evaluate the independence of its CPAs on a regular basis?	v		(1) In addition to setting up the Compensation Committee and Audit Committee, as required by law, the Bank has established the Investment Committee and Corporate Social Responsibility Committee. (2) The Bank's Board of Directors approved the appointment of Yang, Chen-hsiu and Chen, Li-chi as auditing CPAs on August 22, 2012. Evaluation has since been conducted on an annual basis to ensure their independence. The report of evaluation to determine the independence of the Bank's auditing CPAs for 2018 was submitted to the 8th meeting of the 3rd Audit Committee and the 8th meeting of the 7th Board of Directors on April 27, 2018, and secured the latter's approval accordingly. Please refer to the note below for evaluation criteria. The aforesaid evaluation identified no compromise of independence and ascertained that Yang, Chen-hsiu and Chen, Li-chi qualify to serve as the Bank's auditing CPAs. Meanwhile, the Bank also secured a Declaration of Independence from the firm of the CPAs.	In Compliance with applicable provisions of the <i>Corporate Governance Best-Practice Principles for Banks</i>
3. If the Bank is listed on the Taiwan Stock Exchange or Taipei Exchange, has it established a department or appointed personnel to exclusively or concurrently take charge of corporate governance affairs (including but not limited to preparation of materials for directors and supervisors to perform their duties, undertaking of matters related to board meetings and shareholders' meetings, incorporation registration and amendments thereof, and compilation of board and shareholders' meeting minutes)?	v		The Bank set up the Corporate Social Responsibility Committee in January 2015. The undertaking of relevant matters is assigned to the corporate governance team. Composed of the Auditing Department, Corporate Secretariat, Legal and Compliance Department, Risk Management Department, Strategic Planning Department, and Human Resources Department, the team is charged with enacting the Bank's guiding principles for business development and risk management, as well as handling other corporate governance affairs related to ethical management and risk management. These include legal compliance, transparency of information disclosure, information protection, and preservation of shareholder rights and interests. On December 27, 2017, the Board of Directors enacted the <i>O-Bank Co., Ltd. Corporate Governance Principles</i> to further bolster the Bank's corporate governance system. The said principles spell out endeavors to ensure legal compliance and upgrade internal management, protect shareholder rights and interests, strengthen the functions of the Board of Directors, maximize the functions of the Audit Committee, honor the rights and interests of interested parties, and increase the transparency of information disclosure. It was also made clear that the corporate governance team under the Corporate Social Responsibility Committee is charged with the responsibility of implementing the Bank's corporate governance operations.	In Compliance with applicable provisions of the <i>Corporate Governance Best-Practice Principles for Banks</i>
4. Has the Bank established channels for communicating with stakeholders (including but not limited to shareholders, employees, and customers)?	v		(1) The Bank's website has a section meant specifically for stakeholders with a view to providing customers, shareholders, employees, suppliers, the media, and government agencies with comprehensive information, reflecting the Bank's commitment to taking their rights and interests seriously and ensuring smooth communication with them. (2) The Bank verifies the accuracy of relevant information by communicating with directors, members of the Audit Committee, major shareholders (with a stake of not less than 1%), and managerial officers in writing every six other months.	In Compliance with applicable provisions of the <i>Corporate Governance Best-Practice Principles for Banks</i>
5. Information Disclosure (1) Does the Bank install a website for disclosing information on finances, operations, and corporate governance? (2) Does the Bank adopt other means of information disclosure (such as installing an English website, designating personnel to collect and disclose material information, appointing a spokesperson to communicate with the general public, and making public the recordings of investor briefings on its website)?	v		(1) The Bank has installed a website for disclosing material information on finances, operations, corporate governance, and other matters. As required by applicable regulations, there is also disclosure and reporting on the Market Observation Post System. (2) The Bank's website is presented mainly in Chinese, with English webpages also made available for the reference of overseas investors. A department is assigned the responsibility of collecting and disclosing material information. A spokesperson and an acting spokesperson are responsible for disclosing information in relation to the Bank's business operations whenever appropriate. In addition, information with regard to the Bank's investor briefings is also made public and disclosed in accordance with applicable regulations.	In Compliance with applicable provisions of the <i>Corporate Governance Best-Practice Principles for Banks</i>

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
6. Is there other important information that can facilitate better understanding of the Bank's corporate governance practices (including but not limited to employee rights and interests, employee care, investor relations, rights and interests of interested parties, records of training for directors and supervisors, implementation of risk management policy and risk evaluation criteria, implementation of customer relations policy, purchases of professional indemnity insurance for directors and supervisors, and donations to political parties, stakeholders, and charitable groups)?	v		<p>(1) Employee rights and interests and employee care: The Bank gives priority to employee rights and interests and devotes itself toward employee care. In addition to having employees covered by labor and national health insurance, as dictated by law, the Bank also provides employees with group insurance and periodic health examinations. The Bank also appropriates funds, as stipulated by law, for the establishment of an employee welfare committee that offers information regarding cultural and artistic activities and sponsors various group activities to promote employee wellbeing and facilitate their holistic development.</p> <p>(2) Investor relations: The Bank's website has a section meant specifically for investors that offers up-to-date information, including annual reports, shareholder services, financial data, credit ratings, investor activities and information of contact persons.</p> <p>(3) Rights and interests of interested parties: The rights and interests of all interested parties are protected under applicable laws and regulations as well as the Bank's internal regulations.</p> <p>(4) Training for directors: The Bank provides directors with training on corporate governance and securities regulations whenever warranted. The Bank's implementation of training for directors in 2017 was already disclosed in the corporate governance section of the Market Observation Post System.</p> <p>(5) Implementation of risk management policy and risk evaluation criteria: The Board of Directors has enacted the Bank's risk management policy and mechanisms for monitoring capital adequacy, assessing and monitoring liquidity positions, managing operational risk, evaluating the quality and classes of assets, and protecting information security, thereby managing credit and market risk. Implementation of the foregoing risk management mechanisms (including interest rate sensitivity monitoring, liquidity management, annual facility and stop-loss thresholds for trading operations, and quality of asset portfolios) is presented to the Board of Directors for approval and reference.</p> <p>(6) Implementation of customer relations policy: To provide customers with comprehensive financial services, the Bank enacts and implements a customer relations policy that takes account of both business characteristics and customer needs.</p> <p>(7) Purchases of professional indemnity insurance for directors: The Bank began purchasing professional indemnity insurance for directors in June 2009 with a view to offering directors and managerial officers buffers against the risk and liability they assume. Renewal of the said professional indemnity insurance in 2017 was already reported to the Board of Directors and disclosed in the corporate governance section of the Market Observation Post System (http://mops.twse.com.tw).</p> <p>(8) Donations to political parties, stakeholders, and charitable groups: In 2017, the Bank donated NT\$4.4 million to the O-Bank Education Foundation, NT\$4 million to the Asia Pacific B Corp Association, NT\$750,000 to the Friends of the Police Association, NT\$500,000 to Taiwan Connection, NT\$500,000 to the Chiayi County Government, NT\$300,000 to the Criminal Investigation and Prevention Association, NT\$300,000 to the Chinese National Association of Industry and Commerce, NT\$200,000 to the Xue Xue Foundation, NT\$100,000 to Kenny Wen Erhu Ensemble, NT\$20,000 to the Eisenhower Fellows Association in the ROC, and NT\$10,000 to the National Taiwan University Economic Research Foundation, totaling NT\$11.08 million.</p>	In Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for Banks
7. Please describe the status of improvement already made based on the results of the Corporate Governance Evaluation System released by the Taiwan Stock Exchange Corporate Governance Center in the most recent year, as well as priority matters and measures in areas where improvement has yet to be made: Not applicable.				
8. Others				
(1) Deviations (if any) from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies and reasons for such discrepancies				

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Has the Bank enacted and disclosed its corporate governance principles based on the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies?	v		The Bank's 7th Board of Directors enacted the <i>Bank's Corporate Governance Principles</i> at its 5th meeting on December 27, 2017. The said principles were then disclosed on the Bank's website and the Market Observation Post System.	In Compliance with applicable provisions of the <i>Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies</i>
2. Does the Bank adopt internal rules that prohibit insiders from trading securities based on information not yet disclosed to the market?	v		The Bank has in place the Shareholding Management Regulations and Code of Ethical Conduct that apply to directors, managerial officers, and employees separately.	In Compliance with applicable provisions of the <i>Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies</i>
3. Does the Bank adopt a policy of diversity with regard to composition of the Board of Directors and implement it faithfully?	v		When it comes to selecting members of the Board of Directors, the Bank does not allow itself to be bound by factors such as gender, age, race, and nationality. In accordance with Article 35 of the <i>Bank's Corporate Governance Principles</i> , diversity is given priority in making up the Bank's 7th Board of Directors. Members are elites from finance, industry, and academia. Of the directors, one holds a PhD and 10 an MA, covering such fields of study as economics, commerce, business administration, management, accounting, public administration, social welfare, and languages. All of them have the knowledge, skills, and capacity needed for performing their duties. To attain the ultimate goal of corporate governance, the Board of Directors is equipped with the following abilities as a whole: 1) capacity for business judgment, 2) capacity for accounting and financial analysis, 3) capacity for business administration, 4) capacity for crisis management, 5) industry knowledge, 6) a sound perspective of the global market, 7) capacity for leadership, and 8) capacity for decision-making. The Bank's policy of diversity on composition of the Board of Directors is disclosed on the Bank's website and the Market Observation Post System. (Please refer to the Bank's annual report for each director's educational background and employment history.)	In Compliance with applicable provisions of the <i>Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies</i>
4. Does the Bank formulate rules and procedures for assessing the performance of the Board of Directors, based on which assessment is conducted annually?		v	The Bank has yet to formulate rules and procedures for assessing the performance of the Board of Directors. Drafting and enactment will be undertaken in due time.	Drafting and enactment will be undertaken in due time.
5. Does the Bank entrust a specialized stock agency to handle affairs related to shareholders' meetings?	v		The Bank's affairs related to shareholders' meetings are handled by CTBC Bank's Corporate Trust Operation and Service Department.	In Compliance with applicable provisions of the <i>Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies</i>

(Note) Criteria for Evaluating the Independence of CPAs

Item Evaluated	Evaluation Result	Compliance with Independence Requirements
1. Do the CPAs have a direct or material indirect financial interest in the Bank?	No	v
2. Have the CPAs engaged in financing or guarantees with the Bank or any of its directors?	No	v
3. Do the CPAs have a close business relationship and a potential employment relationship with the Bank?	No	v
4. Do the CPAs and members of their audit team currently serve as the Bank's directors or managerial officers or hold positions that may exert significant influence over the subject matter of their engagement, or did the same hold true in the most two recent years?	No	v
5. Do the CPAs provide the Bank with non-audit services that may have a direct impact on their audit work?	No	v
6. Do the CPAs broker equities or other securities issued by the Bank?	No	v
7. Do the CPAs serve as the Bank's advocate or seek to reconcile the Bank's conflicts with third parties on its behalf?	No	v
8. Do the CPAs have family relationship with anyone who is a director or managerial officer of the Bank or whose position may exert significant influence over the subject matter of their engagement?	No	v
9. Does the Bank secure a Declaration of Independence from the firm of the CPAs?	Yes	v

(5) Composition, Responsibilities and Operations of the Compensation Committee

Based on a resolution adopted by the Board of Directors, the Compensation Committee was established on April 22, 2009. It was followed by the board's adopting the *Compensation Committee Organizational Rules* on August 26 of the same year and changing the committee's Chinese name on December 28, 2011. Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting; assessing remunerations for directors and managerial officers on a regular basis; and setting down the criteria for evaluating the performance of service personnel and standards for deciding on their compensation. The committee shall convene at least twice a year and may convene at any time when necessary. In 2017, the committee met on January 17, February 22, March 22, April 28, June 14, June 29, August 23, and December 27.

A. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	
Independent Managing Director	Chan, Hou-Sheng	v		v	v	v	v	v	v	v	v	v	1
Independent Director	Yue, Thomas	v	v	v	v	v	v	v	v	v	v	v	7
Independent Director	Liu, Richard R.C.	v		v	v	v	v	v	v	v	v	v	0

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Compensation Committee Meetings

(A) There are three members in the Compensation Committee.

(B) The members of the 4th Compensation Committee shall serve a three-year term from June 14, 2017 through June 13, 2020. In the most recent year, the Compensation Committee convened eight meetings:

A total of 4 (A) meetings of the 3rd Compensation Committee were held in the previous period (Jan.1~ Jun.13, 2017). The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Chan, Hou-Sheng	4	0	100	
Committee Member	Yue, Thomas	4	0	100	
Committee Member	Liu, Richard R.C.	4	0	100	

A total of 4 (A) meetings of the 4th Compensation Committee were held in the previous period (Jun. 14 ~ Dec. 31, 2017). The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Chan, Hou-Sheng	4	0	100	
Committee Member	Yue, Thomas	4	0	100	
Committee Member	Liu, Richard R.C.	4	0	100	

Other mentionable items:

- If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the compensation committee's opinion (eg., the compensation passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.
- Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(6) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation				None
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	v		(1) With its Corporate Social Responsibility Committee established in 2015, the Bank fulfills this responsibility in the following five areas: corporate governance, customer relations, employee care, environmental protection, and social engagement. The Bank has also enacted the <i>Corporate Social Responsibility Committee Organizational Rules</i> and <i>Corporate Social Responsibility Principles</i> . Apart from enacting the Bank's corporate social responsibility system, policy, and implementation plan, the committee is responsible for tracking implementation status and effectiveness on a quarterly basis.	
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	v		(2) The Bank offers courses on gender equality and conducts self-assessment of legal compliance each year to ensure that our various systems and measures comply with applicable laws and regulations and CSR requirements.	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	v		(3) Pursuant to the <i>Corporate Social Responsibility Committee Organizational Rules</i> approved by the Board of Directors, there shall be a chair, a vice chair, and a number of members. These, in turn, shall be appointed or assigned by the chairman of the board. The committee shall submit a report to the Board of Directors, at least annually, on the status of CSR fulfillment.	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	v		(4) The Bank has enacted management regulations on compensation and bonus issuance. Priority is given to appropriately reflecting the Bank's business performance and results in employee compensation in order to encourage employees to realize their potential and strive for excellence. In addition, we include our CSR policy in annual targets and year-end performance assessment, and give fitting rewards and penalties in accordance with employee conduct and performance.	
2. Sustainable Environment Development				None
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	v		(1) The Bank's purchasing prioritizes and emphasizes environmental protection and suppliers that comply with green energy requirements, and we strive to engage in green purchasing. We emphasize water management in office buildings, including bathrooms and outdoor vegetation, and we have strengthened control of water usage. Furthermore, we are continuing to implement an electronic approval system for official document, and promote the frequent use of e-forms and e-mail, and have installed bank-wide videoconferencing equipment in order to reduce the use of paper. We also purchase recycled paper and recyclable and reusable ink cartridges.	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	v		(2) We prioritize green building materials when purchasing materials for use in renovation work and when moving to new locations, and regularly check the annual targets set by the Corporate Social Responsibility Committee's environmental protection section. In the future, we will also continue to review and improve our environmental management work, and establish an appropriate environmental management system to ensure that the world's resources are used in a sustainable manner.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	v		(3) We have long striven to promote an environmentally friendly policy conducive to energy conservation and carbon reduction to help cut back on greenhouse gas emissions. The measures we have taken include the gradual replacement of building lighting systems with power-saving LED lamps, reuse of old lamps, call for employees to turn off lights when not needed, full-scale implementation of lights-out during the one-hour noon break, maintenance of indoor temperature at over 26°, allocation scheduling of elevators to boost transport efficiency, reuse of waste paper, implementation of trash classification and recycling, installation of infrared water supply devices in bathroom sinks to regulate water supply, and promotion of male employees' wearing light shirts and doing away with neckties during summertime. All these measures reflect our dedication to realizing our environmental protection and energy conservation policy. Our carbon emissions from power use totaled 2,105 tons and 2,018 tons in 2016 and 2017 respectively. Our carbon emissions from water use totaled 1,033 kilograms in 2016 before dropping to 971 kilograms in 2017.	
3. Preserving Public Welfare				None
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	v		(1) Committed to protecting human rights, the Bank supports and observes the UN Universal Declaration of Human Rights and other international human rights conventions. The <i>O-Bank Co., Ltd. Human Rights Policy</i> has been enacted with a view to putting an end to any conduct that infringes or violates human rights. At the same time, we strictly uphold the labor laws and regulations of the places where we conduct business; prohibit forced labor in any form, the use of child labor, and sexual harassment; refrain from discrimination; and provide employees with an equitable, safe, and healthy working environment.	None
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	v		(2) We have enacted various complaint systems under which employees can submit complaints via writing, telephone, fax, and email. We also explicitly specify complaint handling procedures and confidentiality protection measures that enable us to adequately deal with complaints and protect employee rights and interests.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	v		(3) We strive to provide a safe, healthy, and comfortable working environment. Measures toward this end include a test of indoor air quality every two years, a building safety test every two years, a self-defense and firefighting drill every six months, cleaning of water tanks on a semiannual basis, quarterly random testing of drinking water, and two elevator maintenance checks each month. In addition, we assist in organizing occupational safety and health courses at least once a year. To encourage employees to embrace healthy living, we have offered fitness management courses, created health stations, and organized interdepartmental weight loss contests. Our efforts have won certification of ours as a healthy workplace. In addition to having all employees covered by labor insurance, national health insurance, and group insurance, the Bank also provides them with health checkups on a regular basis, holds health lectures, and delivers health-related consulting services.	None
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	v		(4) We regularly hold employee meetings and O-Bank Group conferences, at which managerial officers give updates on the Bank's business strategies and performance. We also hold departmental conferences, and have established multiple two-way communication channels ensuring that employees are kept informed of the Bank's business performance, strategies, and major policies. We hold two individual performance interviews with employees each year in order to better understand their respective conditions and collect their feedback. We publish corporate culture journals to let employees understand and identify with the Bank's corporate culture and guidelines.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(5) Does the company provide its employees with career development and training sessions?	v		(5) Based on annual interviews with employees and their needs for career development, the Bank devises training programs that take account of its core competence requirements each year. These courses cover such categories as work skills, management skills, financial expertise, and general knowledge. In 2017, the Bank recorded an average of over 39 training hours per person. To accommodate the Bank's recent shifting toward digital banking, we also invited outside experts to give talks or offer training and asked in-house experts to devise online courses so that employees could strengthen their expertise in financial technology and related issues. In addition, we actively work with a number of universities to develop training programs in an effort to seek out even more promising financial innovation professionals. Within the Bank, the Assessment Center is put in place to cultivate reserve personnel and identify would-be managerial officers.	None
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	v		(6) We have enacted the <i>Procedures for Accepting and Handling Disputes in the Trust Business, Regulations on Handling Customer Complaints and Financial Consumer Disputes</i> , and <i>Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents</i> .	None
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	v		(7) Please refer to Note for the relevant rules and regulations the Bank has enacted.	None
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	v		(8) We perform careful assessment of suppliers before doing business with them lest we should enter into transactions that are in conflict with our corporate social responsibility policy.	None
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?		v	(9) We are phasing in the explicit requirement that as the Bank conducts purchases, our suppliers shall uphold the CSR policies of both parties. We are also evaluating the introduction of a new provision that we may terminate or nullify contracts at any time if suppliers are determined to have violated the aforesaid policies and in turn incur a significant negative impact on the environment and society.	We will evaluate enactment of relevant provisions and their inclusion in contracts.
4. Enhancing Information Disclosure	v		In accordance with the <i>Taiwan Stock Exchange Corporation Rules Governing Information Reporting by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds</i> , we regularly disclose relevant information on the Bank's website and the Market Observation Post System. We have also established a CSR section on our website to disclose CSR-related information on a regular basis.	None
(1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?				
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancy between the Principles and their implementation: None.				
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices:				
<ul style="list-style-type: none"> Based on discussions among internal CSR representatives from various departments and considering relevance to the duties of the said departments as well as the frequency of contact therewith, the Bank has identified the following six major stakeholders: employees, shareholders, government agencies, customers, suppliers, and the general public. After conducting surveys of the six major stakeholders and internal departments, we have identified issues that the stakeholders are most concerned about. In turn, we have established exclusive contact channels for the respective stakeholders and made such a public announcement on the Bank's website. In compliance with the competent authority's sweeping amendment and augmentation of regulations on combatting money laundering and countering financing of terrorism, templates provided by industry associations, and consultants' recommendations for AML optimization, the Bank completed the enactment and/or revision of its first-, second-, and third-phase documents (totaling nine) on this front in 2017. Other highlights of the year included an overall assessment report on the risk of money laundering and financing of terrorism for 2017 and the 2018 action plan on this front, bank-wide training (including that for directors), a new system for identifying and monitoring suspicious signs in transactions, and regular examination of high-risk customers (including corporate banking clients of the OBU). In accordance with our lending policy amended in August 2017, the Bank now applies the Equator Principles to corporate lending as well to project financing. If a borrow is determined to have association with any negative impact on the environment, society, law, and money laundering or financing of terrorism over the course of credit-checking, application review, and post-lending management, the responsible department may make such requests as full disclosure, provision of appropriate collateral, and rectification by a deadline. It may also submit the case to upper management for scrutiny. Follow-up tracking will also be conducted to determine its subsequent impact. 				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<ul style="list-style-type: none">• To strengthen employees' risk alertness and environmental consciousness, we have implemented the Clean Desk Initiative. Undertaken in line with the government push for energy conservation and carbon reduction by making use of renewable energy, this initiative proves effective in safeguarding the security of both internal data and customer information, conserving resources, and reducing the risk entailed by preservation of paper copies.• There is a whistleblower mailbox in the stakeholder section on the Bank's website. Informants can make use of this mailbox in reporting irregularities to the Bank. As is only fitting to our commitment to corporate governance and ethical management, we will keep confidential the identity of every whistleblower and the content of his/her report.• Jointly enacted by the Bank's three internal control departments (Legal and Compliance Department, Auditing Department, and Risk Management Department), the <i>Principles for Three Lines of Defense for Internal Control</i> secured approval from the 6th Board of Directors during its 25th meeting on February 22nd , 2017. Pursuant to relevant regulations, the Human Resources Department is charged with the responsibility of overseeing all departments in performing risk management duties and conducting monitoring required of their respective line of defense in accordance with the scope of duties and powers specified in the foregoing principles.• The Bank's <i>Ethical Corporate Management Best-Practice Principles, Procedures for Ethical Management and Guidelines for Conduct</i>, and <i>Criteria Governing Codes of Ethical Conduct</i> all unequivocally prohibit unethical conduct by employees and specify matters for their attention in the course of performing duties. Upon the discovery of any violation of ethical corporate management and conduct regulations, a report shall be made immediately to an independent director or managerial officer, the chief internal auditor, or another suitable managerial officer. Upon verification of any such allegations, the violator shall be dealt with in accordance with applicable laws and regulations or the Bank's internal regulations on employee rewards and penalties.• Personal Information Security Management<ol style="list-style-type: none">1. The Bank was transformed into a digitally focused commercial bank in 2017. To effectively protect and manage personal information and ensure that the Bank complies with the competent authority's requirements on this front, we contracted Deloitte & Touche Consulting Co. in 2017 to launch a special project on installing a personal information management system and offering advisory services on BS 10012 certification.2. In 2017, we already established important personal information protection mechanisms, including the preparation of documents needed for building a personal information management system, implementation of training on protecting personal information, analysis of the impact from conducting personal information management, assessment of personal information, drills on personal information infringement, and risk assessment. In 2018, the Bank plans to undergo an audit done by SGS Taiwan with a view to securing BS10012:2009 certification of the British Standards Institute.3. To ensure that the personal information management system can continue to function effectively and also to better regulate the composition of the personal information management mechanism and its functions, the Bank has established the Personal Information Management Committee. With the president acting as convener, the committee is charged with the duty of overseeing personal information protection and management throughout the Bank.• To establish a corporate culture devoted to financial consumer protection and enhance financial consumers' confidence in the Bank, the Board of Directors and senior managerial officers personally lead the cause in accordance with the principle of treating customers fairly required of the financial services industry. All departments are instructed to follow their lead in enforcing financial consumer protection to ensure the Bank's compliance with applicable laws and regulations. In 2017, we undertook training and awareness programs with regard to the <i>Financial Consumer Protection Act</i> and the principle of treating customers fairly through our online self-assessment platform meant for legal compliance. Pursuant to provisions in relation to the principle of treating customers fairly (including applicable laws and regulations), the Bank's major implementation departments examined existing internal rules and regulations and concluded that they comply with laws and regulations geared toward financial consumer protection. After conducting internal audits, the Auditing Department concluded in its report that there were no systematic or material shortcomings or irregularities. For its part, the Legal and Compliance Department submitted a report on the Bank's status in carrying out the principle of treating customers fairly during the year to the Board of Directors for approval on December 27, 2017.• The Bank provides directors with multiple channels for continuing education. Taking its lead from the <i>Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEx Listed Companies</i>, the Bank helped directors who were re-elected in 2017 to complete six hours of continuing education. We also occasionally provide directors with information on other continuing education opportunities.• To better understand the operations of subsidiaries, the Bank hosted a gathering in October 2017 for directors of both the Bank and its subsidiaries to swap information.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:				
The Bank commissioned the British Standards Institute to evaluate its CSR report against the GRI G4 and AA1000 frameworks.				

Note: The Bank has enacted the following relevant rules and regulations: *Financial Transaction Business Management Policy, Regulations Governing Suitability of Financial Derivatives, Regulations Governing the Sale of Structured Products, Procedures for Reviewing New Derivatives, Trust Business Risk Management Guidelines, Handbook for Custody of Venture Capital Investment Funds, Handbook for Undertaking Non-Discretionary Money Trusts for Investing in Domestic and Foreign Securities*, and *Handbook for Providing Advisory Services on Offering and Issuance of Securities*.

(7) Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				None
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	v		<p>(1) Upon its establishment in 1999, the Bank enacted the <i>Self-Discipline Rules for Ethical Conduct</i>. Employees were required to conform to all applicable codes and regulations. The guiding principle for interaction with customers was that one shall not, by virtue of his/her position at the Bank, secure any personal gains; shall not solicit business or secure business or personal gains by bribery, kickback, allowances, gratuities, or other illegal means; shall remain fair and impartial when conducting procurement or issuing invitations for bids; and shall not assist customers in falsifying documentation or overvaluing assets.</p> <p>The Bank also included the foregoing provisions together with Article 35 of the <i>Banking Act</i>—neither the responsible person nor any staff member of a Bank shall accept, under any pretense, commissions, rebates, and the amount of other unwarranted benefits from depositors, borrowers, or other customers—as common items for legal compliance. Training and examination thereof were conducted on a regular basis.</p> <p>In line with statutory changes and amendments, the Board of Directors adopted the <i>Code of Ethical Conduct</i> and <i>Ethical Corporate Management Best-Practice Principles</i> in 2015, followed by the enactment of the <i>Procedures for Ethical Corporate Management and Guidelines for Conduct</i> in 2016. Given their conviction of ethical management and commitment to being honest, transparent, and responsible, members of both the Board of Directors and management are set to keep up their implementation of ethical management policies, creating sound corporate governance, and building an environment for sustainable development.</p>	
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	v		<p>(2) The Bank's <i>Ethical Corporate Management Best-Practice Principles, Procedures for Ethical Management and Guidelines for Conduct</i>, and <i>Criteria Governing Codes of Ethical Conduct</i> all unequivocally prohibit unethical conduct by employees and specify matters for their attention in the course of performing duties. Upon the discovery of any violation of ethical corporate management and conduct regulations, a report shall be made immediately to an independent director or managerial officer, the chief internal auditor, or another suitable managerial officer. Upon verification of any such allegations, the violator shall be dealt with in accordance with applicable laws and regulations or the Bank's internal regulations on employee rewards and penalties. Separately, while offering training to newly recruited employees and to all employees with regard to legal compliance, the Bank makes it a point to exhort them to stay honest and fair and conform to applicable laws and regulations in the course of performing their duties. As such, training on regulations related to ethical management is undertaken to ensure that all employees always keep good-faith management in mind and act accordingly.</p>	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the <i>Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies</i> ?	v		<p>(3) To ensure a well-rounded internal control system and operational security, the Bank requires personnel of specific departments to undergo periodic rotation. The Bank also resorts to negotiating with employees about taking holidays in a bid to further bolster risk management. Separately, the Bank has adopted the <i>Regulations Governing the Review of Making Donations</i> as the guideline for such activities. On top of the principles of honesty, integrity, and prudence, all business activities are undertaken in accordance with applicable regulations.</p>	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy				None
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	v		(1) In accordance with applicable laws and regulations, the Bank has in place specific regulations governing lending, investment, trust, financial transactions, or other business dealings that involve interested parties. Also adopted are clearly defined regulations that specify the following: there shall be no preference for any specific party over the course of conducting procurement or issuing invitations for bids, and internal audit personnel shall be involved in the price negotiation process; personnel engaging in investment or lending shall conform to applicable internal regulations and honor the obligation of reporting when warranted, thereby preventing conflicts of interest. Given that the banking industry is required to secure sanctioning of the competent authority and thus subject to stringent supervision, the Bank is obligated to ensure that its business activities, donations, accounting system, and business secrets conform to the <i>Company Act</i> , <i>Securities and Exchange Act</i> , and <i>Business Entity Accounting Act</i> . In accordance with applicable laws and regulations, the Bank has also established an internal control and audit system and a self-audit system. Internal auditors and CPAs conduct random checks on the undertaking of business activities and submit reports to the Audit Committee and Board of Directors at least on a quarterly basis, thereby promoting sound management and ensuring the efficiency of business operations, reliability of financial reporting, and compliance with applicable laws and regulations.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and report implementation to the Board on a regular basis?	v		(2) To attain ethical corporate management, the corporate governance team under the Corporate Social Responsibility Committee is charged with the responsibility of enacting and implementing the Bank's ethical corporate management policy and related plans. It is also responsible for submitting reports on implementation results to the Board of Directors each year. Such reports are to contain results of promotion and training of ethical corporate management, accomplishment of the "informant's mailbox," and measures taken to prevent unethical conduct and the results thereof, which are all intended to ensure the Bank's ethical corporate management.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	v		(3) When the Board of Directors or Audit Committee meets, the Bank's highly self-disciplined directors refrain from participating in the discussion and voting process in relation to any matters that involve their personal interests and do not exercise the voting rights of other directors by proxy. Directors also exercise self-discipline and refrain from extending one another improper support otherwise. Meanwhile, corporate governance courses are made available to directors to enhance their capacity for supervision and governance, in turn strengthening the Bank's corporate governance and attaining ethical corporate management. Separately, there is a stakeholder section on the Bank's website where whistleblowers and informants are encouraged to come forward with relevant information if they become aware of any personnel's possible crime, malpractice, or violation of applicable laws and regulations. The "informant's mailbox" is set up precisely for this purpose; the Bank vows to keep confidential the identity of any informant and the information given. Rigorous measures will be adopted to address and verify any such allegations so as to uphold the Bank's corporate governance and ethical corporate management.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	v		(4) To effectively attain ethical corporate management, the Bank has established effective internal control and accounting systems in accordance with the <i>Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries</i> . Meanwhile, the internal audit department and CPAs perform audits on a regular basis, thereby ensuring that the aforesaid systems work effectively and attaining ethical corporate management.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	v		(5) In accordance with applicable regulations, the Bank evaluates its performance in terms of legal compliance every six other months. Campaigns concerning applicable laws and regulations are undertaken on a regular basis. For their part, all employees are required to complete and pass regulatory tests during the aforesaid evaluation period. To further enhance the weighting of ethical corporate management in the Bank's corporate culture, their showings in such tests are to be regarded as an item in their annual performance evaluation.	
3. Operation of the integrity channel				None
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	v		(1) With channels put in place for employees and customers to make complaints, the Bank deals with those who violate applicable laws and regulations in accordance with its internal regulations on employee rewards and penalties. In addition to offering easily accessible communication channels and complaint mechanisms, the Bank makes it a point to keep confidential the identity of informants and the content of the information given and to protect informants from being mistreated as a result of their action.	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	v		(2) With respect to the information given by the aforesaid informants, the Bank keeps confidential the investigation process and the action taken thereafter, if any, and other relevant information. Both informants and personnel involved in the investigation process shall be protected.	
(3) Does the company provide proper whistleblower protection?	v		(3) The Bank treats all cases of internal and external informants coming forward with information as confidential in order to protect them.	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	v		In 2015, the Bank's Board of Directors adopted the <i>Criteria Governing Codes of Ethical Conduct and Ethical Corporate Management Best-Practice Principles</i> and disclosed them on the Bank's website and the Market Observation Post System (MOPS). Separately, the Bank's website also offers information with regard to its businesses and interest rates as well as economic conditions at large for the reference of the general public. Meanwhile, in accordance with applicable laws and regulations, the Bank consistently makes public material information on its finances and operations on the MOPS for investor review and scrutiny. The Bank also discloses in its annual report what it has been doing to fulfill corporate social responsibility.	None
5. If the company has established the ethical corporate management policies based on the <i>Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies</i> , please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies. Committed to implementing its ethical management policy, the Bank draws on strategic management and quantitative data for the reference of analyzing and evaluating whether such implementation has produced the desired effects: (1) Ratio of employees completing training on ethical management: To devise concrete action for implementing the said ethical management policy and prevent unethical conduct, the Bank invited lecturers of the Taiwan Corporate Governance Association in 2017 to speak on its <i>Procedures for Ethical Management and Guidelines for Conduct</i> and make it clear to employees what they should watch out for in the course of performing their duties. Separately, the Bank also offered ethical management training to all employees through its digital learning platform, covering such matters as the <i>Ethical Corporate Management Best-Practice Principles</i> , <i>Procedures for Ethical Management and Guidelines for Conduct</i> , <i>Corporate Social Responsibility Principles</i> , and <i>Criteria Governing Codes of Ethical Conduct</i> , as well as measures for preventing business activities prone to the risk of unethical conduct. The said training lasted for an hour and was attended by 805 persons, translating into a training completion ratio of 100%. (2) Ratio of imposing penalties against reports being presented on conduct in violation of ethical management principles in 2017: No report was recorded on any conduct in violation of ethical management principles in 2017 and, therefore, no penalty was imposed.				

(8) Corporate Governance Guidelines and Regulations

Please refer to the Bank's website (<https://www.o-bank.com>) as well as the Market Observation Post System (<http://mops.twse.com.tw>).

(9) Other Important Information Regarding Corporate Governance

Please refer to the Bank's website (<https://www.o-bank.com>).

(10) Internal Control Systems

A. Statement on Internal Control System

O-Bank Co., Ltd.

Statement on Internal Control System

On behalf of O-Bank Co., Ltd., we hereby certify that in the period from January 1, 2017 to December 31, 2017, the Bank duly complied with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and Audit Committee on a regular basis. With regard to the securities business, the Bank assessed the effectiveness of the design and implementation of its internal control system based on the evaluation criteria set forth in the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, we hereby certify that the internal control and legal compliance systems of all departments were effectively implemented during the year. This Statement will be included as a major component of the Bank’s annual report and other prospectuses and disclosed to the public. Any information contained in this Statement that is found to involve falsification, concealment, or other illegalities shall be subject to legal liabilities prescribed in Articles 20, 32, 171, and 174 of the *Securities and Exchange Act*.

The Statement is submitted to the Financial Supervisory Commission

Declarant

Chairman: Lo, Kenneth C. M.

President: Yang, Tony C. Y.

Chief Auditor: Fan, Vivian

Chief Compliance Officer: Liu, Nancy

March 28, 2018

O-Bank Co., Ltd.

Statement on Internal Control System

Date: March 28, 2018

With regard to implementation of its internal control system during the period from January 1, 2017 to December 31, 2017, the Bank hereby declares the following findings of self-evaluation:

1. The Bank is fully aware that it is the responsibility of the Board of Directors and management to establish, implement, and maintain an internal control system. The Bank has indeed established such a system. The objective is to provide reasonable assurance for achieving such goals as soundness of business operations, reliability of reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can be expected to provide only reasonable assurance for achieving the aforesaid three goals. Moreover, the effectiveness of an internal control system is subject to changes due to those in the operating environment and other conditions. Nevertheless, the Bank's internal control system is designed to contain a self-monitoring mechanism; the Bank takes immediate remedial action upon detection of any deficiency.
3. The Bank evaluates the effectiveness of the design and implementation of its internal control system based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereafter the "Regulations") promulgated by the Financial Supervisory Commission. According to the criteria set forth in the Regulations, there are five absolutely essential items: (1) controlled environment, (2) risk assessment, (3) controlled operations, (4) information and communication, and (5) supervision operations.
4. The Bank already evaluated the effectiveness of the design and implementation of its internal control system based on the aforesaid criteria.
5. Based on the results of the foregoing evaluation, the Bank regards the design and implementation of its internal control system (including affirmation of the soundness of business operations, reliability of reporting, and compliance with applicable laws and regulations) during the aforesaid period as effective, thereby providing reasonable assurance for achieving the goals cited above.
6. This Statement will be included as a major component of the Bank's annual report and other prospectuses and disclosed to the public. Any information contained in this Statement that is found to involve falsification, concealment, or other illegalities shall be subject to legal liabilities prescribed in Articles 20, 32, 171, and 174 of the *Securities and Exchange Act* or other applicable regulations.
7. This Statement was approved by the Board of Directors on March 28, 2018. None of the 15 attendees dissented as the entire number of directors gave nod to the content of this Statement.

The Statement is submitted to the Financial Supervisory Commission

Declarant

Chairman: Lo, Kenneth C. M.

President: Yang, Tony C. Y.

Chief Auditor: Fan, Vivian

Chief Compliance Officer: Liu, Nancy

B. CPA Reports

Engagement to Perform Agreed-Upon Procedures

To O-Bank Co., Ltd.:

With regard to the accuracy of statements and reports for 2017 that O-Bank Co., Ltd. submitted to the competent authority, status of its implementing internal control and legal compliance systems, and appropriateness of its NPL provisions policy, I have followed procedures agreed upon by both parties in completing my job. As the said procedures were finalized by your esteemed company, I will not express any opinion on whether or not they are sufficient. This undertaking was conducted pursuant to SAS No. 34 on *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* with a view to assisting your esteemed company in assessing its status of complying with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” promulgated by the Financial Supervisory Commission. Ensuring compliance with the aforesaid rules is the responsibility of your esteemed company’s management. The procedures I performed and the facts uncovered therein are separately presented in the appendices below.

As the audit in question was not conducted in accordance with generally accepted auditing principles, I am not providing assurance of any extent to the accuracy of statements and reports for 2017 that your esteemed company submitted to the competent authority, status of its implementing internal control and legal compliance systems, and appropriateness of its NPL provisions policy. If additional procedures had been adopted for this audit or it had been conducted in accordance with generally accepted auditing principles, I might have uncovered other facts worth reporting.

This report shall be offered to your esteemed company only for the purpose described in the first paragraph and shall not be used otherwise or distributed to other parties.

Yang, Chen-hsiu

Deloitte & Touche

Taipei, Taiwan

Republic of China

April 16, 2018

CPA Report on Internal Control System

To O-Bank Co., Ltd.:

I have completed my examination of O-Bank Co., Ltd.'s Statement on Internal Control System of March 28, 2018, attached below, that declares its design and implementation effective as of December 31, 2017 after evaluation of the said internal control system established in accordance with the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereafter the "Regulations") promulgated by the Financial Supervisory Commission, as well as a part of the Bank's legal compliance system (whether a chief compliance officer has been appointed and whether the same is appropriate). It is the responsibility of the Bank's management to establish and maintain appropriate internal control, while my responsibility is to present an opinion on the foregoing Statement on Internal Control System based on my examination.

I conducted my examination in accordance with the aforesaid Regulations to build an understanding of the internal control system that the Bank has established in accordance with the same Regulations, evaluate the process of its management's assessing the effectiveness of the said internal control system, test and evaluate the effectiveness of the design and implementation of the said internal control system, and undertake other examination procedures I deemed necessary. I believe this examination can provide a reasonable basis for the opinion I present.

All internal control systems have their inherent limitations. As such, the internal control system established by O-Bank Co., Ltd.'s Insurance Marketing Department in accordance with the aforesaid Regulations might fail to prevent errors or malpractices or detect the same that already took place. Separately, as the environment is likely to change over time, compliance with the internal control system is also likely to weaken. An internal control system that proved effective during the most recent examined period will not necessarily prove effective in the future.

Based on the criteria set forth in the aforesaid Regulations for evaluating the effectiveness of internal control, my opinion is that the internal control system of O-Bank Co., Ltd.'s Insurance Marketing Department with regard to financial reporting and asset security (protection of assets from unauthorized acquisition, utilization, or disposal) could be said to have kept up its effectiveness in both design and implementation on all major fronts as of December 31, 2017. O-Bank Co., Ltd.'s Statement on Internal Control System issued on March 28, 2018 in accordance with the aforesaid Regulations declaring that its internal control system with regard to financial reporting and asset security proved effective in both design and implementation as of December 31, 2017, as well as a part of its legal compliance system (whether a chief compliance officer has been appointed and whether the same is appropriate), can be described as appropriate in all major aspects.

Yang, Chen-hsiu

Deloitte & Touche

Taipei, Taiwan

Republic of China

April 16, 2018

(11) Status of any sanctions imposed due to violations of laws or regulations in the most recent two years, and major deficiencies and status of the improvement thereof

Item	2016		2017		Up to the date of publication of this annual report	
	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement
Any indictment of a responsible person or employee by the prosecution for an occupational offense	None	-	None	-	None	-
Any fine imposed by the FSC for violation of applicable laws or regulations	None	-	The FSC's January 24, 2017 Letter Jin-Guan-Yin-Kong-Zi No. 10560005681: The Bank's deficiency in the supervision and management of its subsidiary IBT Leasing Co., Ltd. (hereafter "IBT Leasing") with regard to the latter's extending financing to Tingsing Group is determined to have violated Paragraph 1, Article 45-1 of the <i>Banking Act</i> and threaten to undermine sound business. Pursuant to Paragraph 1, Article 61-1 and Paragraph 7, Article 129 of the <i>Banking Act</i> , the Bank is imposed a fine of NT\$2 million and requested to rectify the said deficiency.	1. The Bank has instructed and helped IBT Leasing to review relevant procedural regulations and strengthen its risk management mechanism. 2. Personnel of the Bank and IBT Leasing involved in the said deficiency have completed courses offered in a special session designed to analyze and study instances of penalties imposed by the competent authority. 3. The Bank presented a report to the FSC on May 2, 2017, detailing the status of rectifying the said deficiency. For its part, the FSC's Banking Bureau accepted the report and retained it for future reference.	None	-
Any sanctions imposed by the FSC pursuant to Article 61-1 of the <i>Banking Act</i>	None	-			None	-
Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully adopt necessary measures for upholding security. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year, disclose the nature and amount of such losses.	None	-	None	-	None	-
Other disclosures required by the FSC	None	-	None	-	None	-

(12) Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of 2017 General Shareholders' Meeting

- (A) Ratification of business report and financial statements for 2016

Implementation result: The aforesaid report and statements were disclosed by means of a public announcement in accordance with applicable regulations and submitted to the competent authority for future reference.

- (B) Ratification of proposal for distribution of 2016 earnings

Implementation result: The Bank set July 23, 2017 as the ex-dividend record date and August 11 of the same year as the payout day. Shareholders were paid cash dividends of NT\$0.45 for every share held, totaling NT\$1,085,852,835.

- (C) Approval of amendments to the Bank's *Articles of Incorporation* to accommodate the Bank's transformation and name change and comply with applicable laws and regulations.

Implementation result: The newly amended *Articles of Incorporation* were adopted and made public on the Bank's website on June 14, 2017; the Ministry of Economic Affairs approved registration of the same on July 26 of the same year.

- (D) Approval of amendments to the Bank's *Procedural Rules Governing Shareholders' Meetings* to accommodate the Bank's transformation and name change and comply with requirements of the competent authority.

Implementation result: The newly amended *O-Bank Co., Ltd. Procedural Rules Governing Shareholders' Meetings* were made public on the Bank's website and the Market Observation Post System on June 14, 2017. Such rules were put into force accordingly.

- (E) Approval of amendments to the Bank's *Procedures for the Election of Directors* to accommodate the Bank's transformation, name change, and business needs.

Implementation result: The newly amended *O-Bank Co., Ltd. Procedures for the Election of Directors* were made public on the Bank's website and the Market Observation Post System on June 14, 2017. Such procedures were put into force accordingly.

- (F) Approval of amendments to the Bank's *Procedures for Engaging in Derivatives Trading* to conform to statutory amendments by the competent authority and accommodate the Bank's needs for business development and risk management.

Implementation result: The newly amended *O-Bank Co., Ltd. Procedures for Engaging in Derivatives Trading* were made public on the Bank's website on June 14, 2017. Such procedures were put into force accordingly.

- (G) Approval of amendments to the Bank's *Procedures for the Acquisition or Disposal of Assets* to accommodate the Bank's transformation and name change and to comply with requirements of the competent authority.

Implementation result: The newly amended *O-Bank Co., Ltd. Procedures for the Acquisition or Disposal of Assets* were made public on the Bank's website and the Market Observation Post System on June 14, 2017. Such procedures were put into force accordingly.

- (H) Election of 15 members to make up the 7th Board of Directors. The roster of the newly elected directors, whose three-year term is due to expire on June 13, 2020, is as follows:

Directors Elected	Votes
Yi Chang Investment Co., Ltd. Rep. : Lo, Kenneth C. M.	4,651,286,935
Ming Shan Investment Co., Ltd. Rep. : Lo, Tina Y.	3,943,619,825
Tai Ya Investment Co., Ltd. Rep.:Chen, Shih-Tze	3,400,023,752
Taiwan Cement Corporation Rep. :Chang, Nelson An-Ping	2,643,801,291
Yi Chang Investment Co., Ltd. Rep. : Yang, Tony C. Y.	2,248,034,885
Yi Chang Investment Co., Ltd. Rep. : Lin, Gordon W. C.	2,221,382,294
Abag Investment Holdings Co., Ltd. Rep.: Tcheng, George	2,211,090,865
Lee, Mark	2,196,405,176
Pioneer Chemical Corp. Rep.: Sheng, Bobby	2,188,083,948
Ming Shan Investment Co., Ltd. Rep.: Lo, Nina	2,181,941,892
Wang Hsiang Co., Ltd. Rep.:Tung, Ta-Nien	2,174,177,428
Tai Ya Investment Co., Ltd. Rep.: Chang, David C.C.	2,168,553,933
Chan, Hou-Sheng (Independent Director)	108,929,163
Yue, Thomas (Independent Director)	107,200,711
Liu, Richard. R.C. (Independent Director)	106,553,302

Implementation result: The foregoing roster was made public on the Bank's website and the Market Observation Post System on June 14, 2017; the Ministry of Economic Affairs approved registration of the same on July 26 of the same year.

- (I) Approval of proposal for release of non-competition restrictions on members of the 7th Board of Directors:

Name of Director	Name of Other Company and Concurrent Position Held
Lo, Kenneth C. M. (Representative of Yi Chang Investment Co., Ltd.)	Director, KC Investments Corporation (BVI) Director, Star International Pacific Ltd. (BVI) Director, Global Sail Holdings Ltd. (BVI) Director, Triple Ace Management Co., Ltd. (BVI)
Ming Shan Investment Co., Ltd.	Director, China Bills Finance Corporation
Lo, Tina Y. (Representative of Ming Shan Investment Co., Ltd.)	Director, Ming Shan Investment Co., Ltd. Director, Tai Ya Investment Co., Ltd. Director, Tai Hsuan Investment Co., Ltd. Director, Yi Chang Investment Co., Ltd. Director, IBT Holdings Corp. Vice Chairman, EverTrust Bank
Taiwan Cement Corporation	Chairman, TCC Investment Corporation Chairman, Chinatrust Investment Co., Ltd.
Chang, Nelson An-Ping (Representative of Taiwan Cement Corporation)	Director, International Chia Hsin Corporation Chairman, Hope Enterprises Co., Ltd. Chairman, Falcon Investment Co., Ltd. Chairman, Chinatrust Investment Co., Ltd. Chairman, TCC Investment Corporation Chairman, Union Cement Traders Inc.

Name of Director	Name of Other Company and Concurrent Position Held
Chen, Shih-Tze (Representative of Tai Ya Investment Co., Ltd.)	Chairman, Ming Shan Investment Co., Ltd. Chairman, Yi Chang Investment Co., Ltd. Chairman, Tai Ya Investment Co., Ltd. Chairman, Tai Hsuan Investment Co., Ltd.
Yang, Tony C. Y. (Representative of Yi Chang Investment Co., Ltd.)	Director, EverTrust Bank
Lin, Gordon W. C. (Representative of Yi Chang Investment Co., Ltd.)	Director, IBTS Holdings (BVI) Ltd. Director, Taiwan Global Biofund Chairman, IBT Leasing Co., Ltd. Chairman, IBT International Leasing Corp. Chairman, IBT Tianjin International Leasing Corp.
Tcheng, George (Representative of Abag Investment Holdings Co., Ltd.)	Chairman, Abag Investment Holdings Co., Ltd.
Lee, Mark	Director, Heng Tin Feng Invest Development Co., Ltd. Director, Heng Gi Lie Investment Ltd. Company Director, Bai Tong Investment Co., Ltd. Director, Tong Chuan Invest Development Co., Ltd. Director, Chang Yan Investment Co., Ltd. Director, Hung Fu Investment Co., Ltd. Director, Shiang Tai Investment Co., Ltd. Director, Hung Ta Investment Co., Ltd.
Sheng, Bobby (Representative of Pioneer Chemical Corp.)	Director, Rui Bao Xing Investment Co., Ltd.
Lo, Nina (Representative of Ming Shan Investment Co., Ltd.)	Director, Yi Chang Investment Co., Ltd. ^ Director, Tai Ya Investment Co., Ltd.
Tung, Ta-Nien (Representative of Wang Hsiang Co., Ltd.)	Chairman, Tai He Investment Co., Ltd. Director, Tai Chuan Investment Co., Ltd. Director, Bau Ching Investment Co., Ltd. Chairman, Tzeng Maw Investment Co., Ltd.
Chang, David C.C. (Representative of Tai Ya Investment Co., Ltd.)	Director, China Bills Finance Corporation
Yue, Thomas (Independent Director)	Independent Non-Executive Director, Stella International Holdings Ltd. Independent Director, Uni-President Enterprise Co.
Liu, Richard R. C. (Independent Director)	Director, Ta Chong Venture Capital Co., Ltd.

B. Major Resolutions of Board Meetings in 2017 and as of March 28, 2018

(A) 2017.1.17: the 24th meeting of the 6th Board of Directors

- * Approval of the *O-Bank Co., Ltd. Regulations Governing Employee Share Subscriptions in Cash Capital Increases*.

(B) 2017.2.22: the 25th meeting of the 6th Board of Directors

- * Approval of the date, venue, and agenda of 2017 general shareholders' meeting
- * Approval of 2016 parent financial statements
- * Approval of proposal for distribution of 2016 earnings
- * Approval of proposal for director remunerations and employee remunerations for 2016
- * Approval of the chief auditor's resignation and appointment of successor thereof

(C) 2017.3.22: the 26th meeting of the 6th Board of Directors

- * Approval of business report and consolidated financial statements for 2016
- * Approval of candidate nominations for the 7th Board of Directors (including independent directors)
- * Approval of amendments to the Bank's *Articles of Incorporation*
- * Approval of amendments to the Bank's *Procedural Rules Governing Shareholders' Meetings*

- * Approval of amendments to the Bank's *Procedures for the Election of Directors*
- * Approval of the Bank's *Procedures for the Acquisition or Disposal of Assets*
- (D) 2017.4.28: the 27th meeting of the 6th Board of Directors
 - * Approval of qualification screening for candidates nominated for the 7th Board of Directors (including independent directors)
 - * Approval of proposal to apply for release of non-competition restrictions on candidates nominated for the 7th Board of Directors (including independent directors)
 - * Approval of amendments to the Bank's *Procedural Rules Governing Board Meetings*
 - * Approval of amendments to the Bank's *Procedures for Engaging in Derivatives Trading*
 - * Approval of amendments to the Bank's *Code of Ethical Conduct*
 - * Approval of the appointment and compensation of CPAs for 2017 and 2018
 - * Approval of the Bank's *Personal Information Management Policy*
- (E) 2017.6.14: the 1st meeting of the 7th Board of Directors
 - * Election of five managing directors, who in turn elected Mr. Lo, Kenneth C.M. and Ms. Lo, Tina Y. as the 7th chairman and vice chairman respectively
 - * Approval of the appointment of members for the 4th Compensation Committee
 - * Approval of proposal for the reappointment of the president and managerial officers at vice president level to coincide with the term of the 7th Board of Directors and for their appointment shifting to a non-tenure system thereafter
- (F) 2017.6.29: the 2nd meeting of the 7th Board of Directors
 - * Setting of July 23, 2017 as the record date for distribution of 2016 cash dividends
 - * Approval of reengagement of Lotus International Law Office and engagement of Peace & Grace International Attorneys at Law as the Bank's legal counsels to accommodate its business endeavors becoming increasingly diversified
 - * Approval of proposal to apply to the competent authority for increasing the Bank's stake in its subsidiary China Bills Finance Corp. with a view to bolstering control of the latter
- (G) 2017.8.23: the 3th meeting of the 7th Board of Directors
 - * Approval of consolidated and parent financial statements for the first half of 2017
 - * Approval of proposal to issue NT\$3 billion in subordinated debentures
 - * Approval of the Bank's *Policy on Preventing Money Laundering and Countering Financing of Terrorism* to bolster the Bank's relevant mechanisms
- (H) 2017.10.31: the 4th meeting of the 7th Board of Directors
 - * Approval of amendments to the Bank's *Procedural Rules Governing Board Meetings*
 - * Approval of amendments to the Bank's *Audit Committee Organizational Rules*
 - * Approval of amendments to the Bank's *Regulations Governing the Scope of Duties of Independent Directors*
- (I) 2017.12.27: the 5th meeting of the 7th Board of Directors
 - * Approval of budgets proposed for 2018
 - * Approval of the Bank's *Corporate Governance Principles*
 - * Approval of 2018 Audit plan
 - * Approval of 2018 Internal audit plan for the insurance agent business
 - * Approval of 2018 Guiding principles for market risk management as well as liquidity and interest rate risk management

- * Approval of proposal to apply to the competent authority, on behalf of the Bank's subsidiary IBT Leasing Co., Ltd., for expanding investment in IBT International Leasing Corp.
 - * Approval of amendments to the Bank's *Code of Ethical Conduct*
- (J) 2018.2.27: the 6th meeting of the 7th Board of Directors
- * Approval of the date, venue, and agenda of 2018 general shareholders' meeting
 - * Approval of 2017 parent financial statements
 - * Approval of proposal for distribution of 2017 earnings
 - * Approval of proposal for director remunerations and employee remunerations for 2017
 - * Approval of 2018 Plan for risk management with regard to money laundering and financing of terrorism
- (K) 2018.3.28: the 7th meeting of the 7th Board of Directors
- * Approval of business report and consolidated financial statements for 2017
 - * Approval of amendments to the Bank's *Articles of Incorporation*
 - * Approval of the *O-Bank Co., Ltd. Regulations Governing Lending to Interested Parties* to bolster corporate governance

(13) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

(14) Resignation or Dismissal of the Company's Key Individuals, including the Chairman, President, and Heads of Accounting, Finance and Internal Audit

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Head of Accounting	Chang, David C.C.	Mar. 1, 1999	Mar. 1, 2018	Position adjusted

5. Information Regarding the Company's Audit Fee

(1) Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Yang, Chen-Hsiu; Chen, Li-Chi	Jan. 1 ~ Dec. 31, 2017	

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			
2	NT\$2,000,001 ~ NT\$4,000,000			
3	NT\$4,000,001 ~ NT\$6,000,000	v		
4	NT\$6,000,001 ~ NT\$8,000,000			
5	NT\$8,000,001 ~ NT\$10,000,000		v	
6	Over NT\$10,000,000			v

(2) Amount of Audit Fee and Non-Audit Fee and Services of Non-Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Yang, Chen-Hsiu Chen, Li-Chi	5,170	-	-	-	8,140	8,140	2017.01.01-2017.12.31	Of the 2017 non-audit fee, NT\$870,000 is for consultations, NT\$4,228,000 for special project services, NT\$2,262,000 for special IT project services, and NT\$780,000 for legal compliance counseling services.

6. Replacement of CPA

(1) Regarding the former CPA

Replacement Date	Not Applicable		
Replacement reasons and explanations	Not Applicable		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	-	-
	No longer accepted (continued) appointment	-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	Not Applicable		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None		
	Remarks/specify details: Not Applicable		
Other Revealed Matters	Not Applicable		

(2) Regarding the successor CPA

Name of accounting firm	Not Applicable
Name of CPA	Not Applicable
Date of appointment	Not Applicable
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	Not Applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not Applicable

(3) The reply letter from former CPAs with regard to matters spelled out in Article 10.6.1 and Article 10.6.2.3 of these Regulations: Not Applicable.

7. Audit Independence

The Company's Chairman, President, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2017.

8. Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2017		As of Mar. 31, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
The 6th Board of Directors in the previous period (Jan. 1~Jun. 13, 2017)					
Chairman	Yi Chang Investment Co., Ltd.(note) (Rep. : Lo, Kenneth C.M.)	-	-	-	-
Vice Chairman	Ming Shan Investment Co., Ltd.(note) (Rep. : Lo, Tina Y.)	10,000	-	-	-
Managing Director	Taiwan Cement Corporation(note) (Rep. :Chang, Nelson An-Ping)	(281,000)	-	-	-
Independent Managing Director	Chan, Hou-Sheng	-	-	-	-
Managing Director	Yi Chang Investment Co., Ltd.(note) (Rep. : Lin, Gordon W.C.)	-	-	-	-
Director	Tai Ya Investment Co., Ltd.(note) (Rep.:Chen, Shih-Tze)	(1,784,000)	-	-	-
Director	San Ho Plastics Fabrication Co., Ltd.(note) (Rep.: Tcheng, George)	(187,000)	-	-	-
Director	Lee, Mark	-	-	-	-
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)	(187,000)	-	-	-
Independent Director	Yue, Thomas	-	-	-	-
Independent Director	Liu, Richard R.C.	-	-	-	-
Director	Yi Chang Investment Co., Ltd.(note) (Rep. : Yang, Tony C.Y.)	-	-	-	-
Director	Ming Shan Investment Co., Ltd.(note) (Rep.: Lo, Nina)	208,000	-	-	-
Director	Chang Fu Investment Co., Ltd. (Rep.: Huang, Eddie)	10,000	-	-	-
Director	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)	(187,000)	-	-	-
The 7th Board of Directors in the previous period (Jun. 14~Dec. 31, 2017)					
Chairman	Yi Chang Investment Co., Ltd.(note) (Rep. : Lo, Kenneth C.M.)	-	-	-	-
Vice Chairman	Ming Shan Investment Co., Ltd.(note) (Rep. : Lo, Tina Y.)	-	-	-	-
Managing Director	Taiwan Cement Corporation(note) (Rep. : Chang, Nelson An-Ping)	-	-	-	-
Independent Managing Director	Chan, Hou-Sheng	-	-	-	-
Managing Director	Yi Chang Investment Co., Ltd.(note) (Rep. : Yang, Tony C.Y.)	-	-	-	-
Director	Tai Ya Investment Co., Ltd.(note) (Rep.:Chen, Shih-Tze)	-	-	-	-
Director	Yi Chang Investment Co., Ltd.(note) (Rep. : Lin, Gordon W.C.)	-	-	-	-
Director	Abag Investment Holdings Co., Ltd. (Rep.: Tcheng, George)	-	-	-	-
Director	Lee, Mark	-	-	-	-

Title	Name	2017		As of Mar. 31, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)	-	-	-	-
Independent Director	Yue, Thomas	-	-	-	-
Independent Director	Liu, Richard R.C.	-	-	-	-
Director	Ming Shan Investment Co., Ltd.(note) (Rep.: Lo, Nina)	-	-	-	-
Director	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)	-	-	-	-
Director	Tai Ya Investment Co., Ltd.(note) (Rep.: Chang, David C.C.) (2017.4 increased shareholding)	-	-	-	-
		8,000	-	-	-
President	Yang, Tony C.Y.	208,000	-	-	-
Deputy President	Chang, David C.C.	8,000	-	-	-
Deputy President	Lee, Elton	87,000	-	-	-
Deputy President	Lin, Roger (2017.03.01 Incoming)	77,000	-	-	-
Senior Executive Vice President	Sung, Jerry	4,000	-	96,000	-
Senior Executive Vice President	Chen, Tessie	6,000	-	-	-
Senior Executive Vice President	Huang, Indra	6,000	-	-	-
Senior Executive Vice President	Liu, Nancy	-	-	-	-
Senior Executive Vice President	Wei, Jonathan	10,000	-	-	-
Executive Vice President	Wang, Angela	35,000	-	-	-
Executive Vice President	Fan, Vivian (2017.04.17 Incoming)	7,000	-	-	-
Executive Vice President	Chung, Sophia (2017.04.17 outgoing)	-	-	/	/
Executive Vice President	Wang, John (2018.01.15 Incoming)	/	/	-	-
Executive Vice President	Chin, Teddy	-	-	-	-
Executive Vice President	Lin, Brian	5,000	-	-	-
Executive Vice President	Lai, Joseph	6,000	-	-	-
Executive Vice President	Jen, Paul (2018.03.14 outgoing)	5,000	-	-	-
Executive Vice President	Shao,Wen	6,000	-	-	-
Executive Vice President	Yeh, Sherry	6,000	-	-	-
Executive Vice President	Hsu, Seline (2017.01.05 Incoming)	-	-	-	-
Executive Vice President	Mo, Michelle	7,000	-	-	-
Executive Vice President	Kuo, Jonathan (2018.03.29 outgoing)	5,000	-	-	-
Executive Vice President	Li, Eric (2017.03.15 outgoing)	-	-	/	/
Executive Vice President	Cheng, Jamie (2017.03.17 outgoing)	-	-	/	/
Executive Vice President	Fang, Stanley (2018.03.15 Incoming)	/	/	-	-
Executive Vice President	Tyane, Edward (2018.02.01 Incoming)	/	/	-	-
Executive Vice President	Wu, Tony	7,000	-	-	-
Executive Vice President	Lin, Tom	50,000	-	-	-
Senior Vice President	Fang, Andy (2017.03.01 Incoming)	5,000	-	-	-
Senior Vice President	Siew, Joy (2018.03.01 Incoming)	6,000	-	-	-
Senior Vice President	Lin, Erick (2018.03.01 Incoming)	/	/	-	-
Senior Vice President	Lin, Daisy (2018.03.12 Incoming)	/	/	-	-
Senior Vice President	Hsiao, Birnice (2018.03.01 Incoming)	4,000	-	-	-
Senior Vice President	Chan, James (2017.05.26 Incoming 、 2018.03.29 outgoing)	-	-	-	-

Title	Name	2017		As of Mar. 31, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Vice President	Cheng, Tina (2017.09.14 Incoming)	-	-	-	-
Senior Vice President	Wu, Allan	4,000	-	-	-
Senior Vice President	Liu, Michelle (2017.01.25 Incoming)	-	-	-	-
Senior Vice President	Yang, Becky	4,000	-	-	-
Senior Vice President	Yan, Eugene	5,000	-	-	-
Senior Vice President	Chen, Paul (2017.02.01 Incoming)	-	-	-	-
Senior Vice President	Tan, Kevin (2018.03.01 Incoming)	6,000	-	-	-
Senior Vice President	Chiu, Jean (2018.03.01 Incoming)	5,000	-	-	-
Senior Vice President	Wang, Daisy (2018.03.01 Incoming)	5,000	-	-	-
Vice President	Chang, Wesley	6,000	-	-	-
Vice President	Yang, Alan (2018.03.01 outgoing)	4,000	-	-	-
Vice President	Soong, Grace	5,000	-	-	-
Vice President	Lee, Daisy	6,000	-	-	-
Vice President	Wei, Calvin(2017.07.17 Incoming 、 2018.03.15 outgoing)	-	-	-	-
Vice President	Chang, Wayne (2018.01.01 Incoming)	/	/	-	-
Vice President	Liu, David	-	-	-	-
Vice President	Lin, Jerry	6,000	-	-	-
Assistant Vice President	Chang, Michael	5,000	-	-	-
Assistant Vice President	Tsai, Rex (2018.01.01 Incoming)	/	/	-	-
Manager	Chen, Linzy (2018.01.10 Incoming)	/	/	-	-
Same Person	Lo, Kenneth C.M.	-	-	-	-
Same Related Person	Lo, Tina Y.	-	-	-	-
Same Related Person	Ming Shan Investment Co., Ltd.(note)	10,000	-	-	-
Same Related Person	Yi Chang Investment Co., Ltd.(note)	-	-	-	-
Same Related Person	Tai Ya Investment Co., Ltd(note)	(1,784,000)	-	-	-
Same Related Person	Tai Hsuan Investment Co., Ltd.(note)	-	-	-	-

Note: Major shareholders who hold over 1% of the total number of issued shares of the Bank.

(1) Shares Trading with Related Parties: None.

(2) Shares Pledge with Related Parties: None.

9. Relationship among the Top Ten Shareholders

As of April 16, 2018

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ming Shan Investment Co., Ltd. Chairman : Chen, Shih-Tze	238,707,967	9.89%	-	-	-	-	Chen, Shih-Tze	Chairman is the same person	-
Yi Chang Investment Co., Ltd. Chairman : Chen, Shih-Tze	238,644,084	9.89%	-	-	-	-			-
Tai Hsuan Investment Co., Ltd. Chairman : Chen, Shih-Tze	238,598,333	9.89%	-	-	-	-			-
Tai Ya Investment Co., Ltd. Chairman : Chen, Shih-Tze	75,307,768	3.12%	-	-	-	-			-
Heng Tong Machinery Co., Ltd. Chairman : Tseng, Tsai-Bau	134,951,997	5.59%	-	-	-	-	-	-	-
China Steel Corporation Chairman : Wong, Chao-Tung	103,847,695	4.30%	-	-	-	-	-	-	-
ADI Corporation Chairman : Liao, Chi-Cheng	103,847,695	4.30%	-	-	-	-	-	-	-
Chailease Finance Co., Ltd. Chairman : Chen, Albert F.L.	92,694,047	3.84%	-	-	-	-	-	-	-
Hung Sheng Construction Co., Ltd. Chairman : Lin, Hsin-Chin	80,481,963	3.34%	-	-	-	-	-	-	-
San Ho Plastics Fabrication Co., Ltd. Chairman : Cheng, Chung-Ming	54,852,278	2.27%	-	-	-	-	-	-	-

10. Ownership of Shares in Affiliated Enterprises

As of Dec. 31, 2017
Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors and Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
IBT Holdings Corp.	10,869,286	100.00	-	-	10,869,286	100.00
IBT Management Corporation	13,400,000	100.00	-	-	13,400,000	100.00
IBT Leasing Co., Ltd.	264,300,000	100.00	-	-	264,300,000	100.00
China Bills Finance Corporation	380,981,600	28.37	1,549,600	0.11	382,531,200	28.48
IBT II Venture Capital Co., Ltd. (dissolved and liquidated in March 2017)	9,847,450	-	4,595,476	-	14,442,926	-
Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) (dissolved and liquidated in November 2016)	318,280,588	-	-	-	318,280,588	-

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital

A. Issued Shares

Unit: NT\$; shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Aug. 1999	10	2,300,000,000	23,000,000,000	2,300,000,000	23,000,000,000	Initial capital		1999/5/14 (1999) Tai-Cai-Zheng (1) No. 16978
Aug. 2000	10	35,234,043	352,340,430	35,234,043	352,340,430	Capital increase from retained earnings		2000/7/12 (2000) Tai-Cai-Zheng (1) No. 60116
Aug. 2001	10	30,358,043	303,580,430	30,358,043	303,580,430	Capital increase from retained earnings		2001/7/12 (2001) Tai-Cai-Zheng (1) No. 145190
July 2002	10	24,914,215	249,142,150	24,914,215	249,142,150	Capital increase from retained earnings		2002/7/9 Tai-Cai-Zheng-Yi-Zi No. 0910137604
July 2004	10	200,000,000	2,000,000,000			Appropriation for employee share subscription warrants		2004/7/16 Jing-Shou-Shang-Zi No. 0930129910
May 2017	7~9.3			22,500,000	225,000,000	Capital increase by cash		2017/5/4 Tai-Zheng-Shang-Yi-Zi No. 10600075162 2017/7/4 Jing-Shou-Shang-Zi No. 10601090090
Total		2,590,506,301	25,905,063,010	2,413,006,301	24,130,063,010			

B. Type of Stock

Unit: NT\$; shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	2,413,006,301	177,500,000	2,590,506,301	Listed Shares

(2) Status of Shareholders

As of April 16, 2018

Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individuals	Treasury Stock	Total
Number of Shareholders	1	0	102	61	19,768	0	19,932
Shareholding (shares)	100	0	1,965,983,518	20,445,401	426,577,282	0	2,413,006,301
Percentage	0.00%	0.00%	81.47%	0.85%	17.68%	0.00%	100.00%

(3) Shareholding Distribution Status

A. Common Shares

As of April 16, 2018

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	2,356	736,609	0.03
1,000 ~ 5,000	8,094	19,562,958	0.81
5,001 ~ 10,000	2,368	20,144,719	0.83
10,001 ~ 15,000	4,417	47,484,978	1.97
15,001 ~ 20,000	629	11,951,447	0.50
20,001 ~ 30,000	622	15,521,952	0.64
30,001 ~ 50,000	478	19,454,353	0.80
50,001 ~ 100,000	432	31,074,780	1.29
100,001 ~ 200,000	214	28,894,786	1.20
200,001 ~ 400,000	116	32,792,216	1.36
400,001 ~ 600,000	66	32,724,620	1.36
600,001 ~ 800,000	19	13,202,902	0.55
800,001 ~ 1,000,000	15	13,811,279	0.57
1,000,001 or over	106	2,125,648,702	88.09
Total	19,932	2,413,006,301	100.00

(4) List of Major Shareholders

As of April 16, 2018

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Ming Shan Investment Co., Ltd.	238,707,967	9.89
Yi Chang Investment Co., Ltd.	238,644,084	9.89
Tai Hsuan Investment Co., Ltd.	238,598,333	9.89
Heng Tong Machinery Co., Ltd.	134,951,997	5.59
China Steel Corporation	103,847,695	4.30
ADI Corporation	103,847,695	4.30
Chailease Finance Co., Ltd.	92,694,047	3.84
Hung Sheng Construction Co., Ltd.	80,481,963	3.34
Tai Ya Investment Co., Ltd.	75,307,768	3.12
San Ho Plastics Fabrication Co., Ltd.	54,852,278	2.27

(5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2016	2017	2018/3/31
Market Price per Share			
Highest Market Price	8.81	9.89	9.17
Lowest Market Price	6.5	8.60	8.56
Average Market Price	8.39	8.95	8.91
Net Worth per Share			
Before Distribution	12.29	12.14	12.03(Note2)
After Distribution	11.84	(Note 1)	Not applicable
Earnings per Share			
Weighted Average Shares (thousand shares)	2,392,957	2,407,662	2,413,639(Note2)
Diluted Earnings Per Share	0.69	0.45	0.07(Note2)
Adjusted Diluted Earnings Per Share	-	-	-
Dividends per Share			
Cash Dividends	0.45	(Note 1)	Not applicable
Stock Dividends			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-

Items	2016	2017	2018/3/31
Return on Investment			
Price / Earnings Ratio	12.16	19.89	-
Price / Dividend Ratio	18.64	(Note 1)	-
Cash Dividend Yield Rate	5.36	(Note 1)	-

Note 1: Not for disclosure as the amount has not yet been approved by the 2018 general shareholder's meeting.

Note 2: The figures are calculated based on financial statements dated March 31, 2018 but not yet audited by CPA.

(6) Dividend Policy and Implementation Status

A. Dividend Policy

The Bank's dividend policy is spelled out in Article 32-1 of the Articles of Incorporation :

If there is a profit after its annual closing of books, the Bank shall first set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. After appropriation or reverse of any special reserve, the outstanding balance together with undistributed earnings from previous years shall be used as the basis for the Board of Directors to propose distribution and seek a resolution of a shareholders' meeting thereof.

Before the legal reserve equals the total amount of capital stock, the maximum cash distribution of earnings shall not exceed 15% of the total amount of paid-in capital.

With regard to the foregoing dividend distribution, the Bank adopts a policy of stability and balance that takes into account capital budget planning, capital needs for business operations, and commitment to a sound financial structure. In particular, the cash dividend payout shall account for not less than 20% of the total dividend payout for any given year. The aforesaid method of dividend distribution is intended only as a principle-based guideline; the Bank may consider actual needs and, via the Board of Directors, propose an amendment and seek shareholder approval in the form of a resolution adopted by a shareholders' meeting.

B. Proposed Distribution of Dividend

It is proposed at the 2018 Shareholders' Meeting that shareholders will be entitled to a cash dividend of NT\$0.30 per share, totaling NT\$723,901,890.

(7) Impact of the stock dividend distribution proposed at this shareholders' meeting upon the Bank's business performance and earnings per share: Not applicable.

(8) Compensation of Employees and Directors

A. Information Relating to Compensation of Employees and Directors in the Articles of Incorporation

Article 22

If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations, but independent directors shall be excluded from such distribution. If the Bank has accumulated losses, however, the aforesaid profit shall be used to offset accumulated losses first.

Article 32

If the Bank records a profit in a year, the Bank shall set aside 1-2.5% of the profit for employee remunerations. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.

Distribution of employee remunerations in stock or cash shall require a resolution adopted through a majority vote of the directors present at a meeting attended by not less than two-thirds of all directors, which in turn shall be submitted to a shareholders' meeting. The employees entitled to the aforesaid remunerations may include those employed by the Bank's affiliated companies who meet specific requirements.

B. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

After a given fiscal year runs its course, any major discrepancy deriving from the actual distribution amount adopted by the Board of Directors will be recorded as an expense for the year.

C. Distribution of Compensation of Employees and Directors for 2017 Approved in the Board of Directors Meeting

- (A) In 2018, the Board of Directors approved cash dividends of NT\$15,919,000 in employee remunerations and NT\$31,838,000 in director remunerations, showing no discrepancy with those specified in the Bank's financial statements for 2017.
- (B) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

D. Information of 2015 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

On February 22, 2017, the Board of Directors approved cash dividends of NT\$24,111,000 in employee remunerations and NT\$48,223,000 in director remunerations for 2016, showing no discrepancy with those specified in the Bank's financial statements for 2016.

(9) Buyback of Treasury Stock: Note.

2. Bonds

(1) Corporate Bonds

Bank Debenture Type	2011 Subordinated Bank Debentures, Phase I	2011 Subordinated Bank Debentures, Phase II	2012 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2010/9/9 Jin-Guan-Yin-Piao-Zi No. 09900345730	2011/9/20 Jin-Guan-Yin-Piao-Zi No. 10000325640	2011/9/20 Jin-Guan-Yin-Piao-Zi No. 10000325640
Date of issuance	2011/8/26	2011/10/28	2012/8/17
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$950 million	NT\$3.35 billion	NT\$1.65 billion
Interest rate	2.30% per annum	2.30% per annum	1.85% per annum
Tenor	7 years maturity date: 2018/8/26	7 years maturity date: 2018/10/28	7 years maturity date: 2019/8/17
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	IBT Securities Co., Ltd.	IBT Securities Co., Ltd.	IBT Securities Co., Ltd.
Certifying attorney	-	-	-
CPA	Huang, Terence	Huang, Terence	Huang, Terence
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$950 million	NT\$3.35 billion	NT\$1.65 billion
Paid-in capital of the previous year	NT\$23,905,063,000	NT\$23,905,063,000	NT\$23,905,063,000
Shareholders' equity of the previous year	NT\$25,550,303,000	NT\$25,550,303,000	NT\$25,992,383,000
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending and repayment for bank debentures nearing maturity	Medium- and long-term lending and repayment for bank debentures nearing maturity	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	28.10%	41.21%	37.24%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2011/8/17 Rating: twA-	Agency: Taiwan Ratings Date: 2011/10/21 Rating: twA-	Agency: Taiwan Ratings Date: 2012/8/6 Rating: twA-

Bank Debenture Type	2013 Subordinated Bank Debentures, Phase I	2014 Subordinated Bank Debentures, Phase I	2014 Subordinated Bank Debentures, Phase II
Date/reference number of the competent authority's approval letter	2012/9/25 Jin-Guan-Yin-Piao-Zi No. 10100299690	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650
Date of issuance	2013/5/30	2014/3/27	2014/6/26
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$2.3 billion	NT\$1.3 billion	NT\$1 billion
Interest rate	1.95% per annum	1.95% per annum	1.85% per annum
Tenor	7 years maturity date: 2020/5/30	7 years maturity date: 2021/3/27	7 years maturity date: 2021/6/26
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	IBT Securities Co., Ltd. as lead underwriter	IBT Securities Co., Ltd. as lead underwriter	IBT Securities Co., Ltd. as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-hsiu	Yang, Chen-hsiu	Yang, Chen-hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$2.3 billion	NT\$1.3 billion	NT\$1 billion
Paid-in capital of the previous year	NT\$23,905,063,000	NT\$23,905,063,000	NT\$23,905,063,000
Shareholders' equity of the previous year	NT\$25,992,383,000	NT\$26,265,527,000	NT\$26,265,527,000
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	44.56%	45.23%	49.04%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB

Bank Debenture Type	2014 Subordinated Bank Debentures, Phase III	2014 Subordinated Bank Debentures, Phase IV	2015 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2015/1/16 Jin-Guan-Yin-Piao-Zi No. 10400001080
Date of issuance	2014/9/26	2014/11/5	2015/12/29
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$600 million	NT\$1.5 billion	NT\$1 billion
Interest rate	1.95% per annum	2.20% per annum	1.85% per annum
Tenor	7 years maturity date: 2021/9/26	7.5 years maturity date: 2022/5/5	7 years maturity date: 2022/12/29
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	KGI Securities Co., Ltd. as lead underwriter	Yuanta-Polaris Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-hsiu	Yang, Chen-hsiu	Yang, Chen-hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$600 million	NT\$1.5 billion	NT\$1 billion
Paid-in capital of the previous year	NT\$23,905,063,000	NT\$23,905,063,000	NT\$23,905,063,000
Shareholders' equity of the previous year	NT\$26,265,527,000	NT\$26,265,527,000	NT\$27,725,528,000
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	51.32%	57.03%	53.92%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/10/29 Rating: twBBB	-

Bank Debenture Type	2016 Subordinated Bank Debentures, Phase I, Batch A	2016 Subordinated Bank Debentures, Phase I, Batch B	2017 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270	2016/9/8 Jin-Guan-Yin-Piao-Zi No. 10500215650
Date of issuance	2016/6/29	2016/6/29	2017/9/5
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$1.5 billion	NT\$1.5 billion	NT\$2 billion
Interest rate	1.70% per annum	1.80% per annum	1.97% per annum
Tenor	7 years maturity date: 2023/6/29	8 years maturity date: 2024/6/29	10 years maturity date: 2027/9/5
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-hsiu	Yang, Chen-hsiu	Yang, Chen-hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$1.5 billion	NT\$1.5 billion	NT\$2 billion
Paid-in capital of the previous year	NT\$23,905,063,000	NT\$23,905,063,000	NT\$23,905,063,000
Shareholders' equity of the previous year	NT\$28,482,879,000	NT\$28,482,879,000	NT\$28,478,741,000
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	63.02%	63.02%	65.49%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-	-

Bank Debenture Type	2017 Subordinated Bank Debentures, Phase II, Batch A	2017 Subordinated Bank Debentures, Phase II, Batch B
Date/reference number of the competent authority's approval letter	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320
Date of issuance	2017/12/27	2017/12/27
Denomination	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-
Currency	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination
Total amount	NT\$750 million	NT\$1 billion
Interest rate	4.00% per annum	1.82% per annum
Tenor	No maturity date (Note)	10 years maturity date: 2027/12/27
Priority	Subordinated	Subordinated
Guarantor	-	-
Consignee	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-
CPA	Yang, Chen-hsiu	Yang, Chen-hsiu
Certifying institution	-	-
Repayment method	Note	Repayment in lump sum upon maturity
Outstanding balance	NT\$750 million	NT\$1 billion
Paid-in capital of the previous year	NT\$23,905,063,000	NT\$23,905,063,000
Shareholders' equity of the previous year	NT\$28,478,741,000	NT\$28,478,741,000
Performance	-	-
Terms for redemption or early repayment	None	None
Terms for conversion and exchange	None	None
Restrictive clause	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	71.63%	71.63%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5.3 years after their issuance (after 2023/4/15) if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

(2) Convertible Bonds: None.

- (3) **Exchangeable Bonds:** None.
- (4) **Shelf Registration for Issuing Bonds:** None.
- (5) **Corporate Bonds with Warrants:** None.

3. Preferred Shares, Global Depository Receipts, Employee Stock Options, New Restricted Employee Shares and Information of Other Financial Institutions Acquired or Transferred: None.

4. Financing Plans and Implementation

(1) Plans for Bank Debentures and Implementation Status

A. To sustain the medium- and long-term lending business, the Bank applied to the competent authority in 2016-2017 for issuance of bank debentures. The said debentures are due to be issued within one year after regulatory approval is granted.

- (A) Given approval (Jin-Guan-Yin-Piao-Zi No. 10500215650) for issuing NT\$2 billion in subordinated debentures granted on September 8, 2016, the Bank issued NT\$2 billion in such debentures and thus used up the foregoing quota on September 5, 2017.
- (B) Given approval (Jin-Guan-Yin-Piao-Zi No. 10600259320) for issuing NT\$3 billion in subordinated debentures granted on November 13, 2017, the Bank issued NT\$1.75 billion in such debentures on December 27, 2017. With regard to the outstanding quota of NT\$1.25 billion, as of the date of publication of this annual report, the Bank is ready to use it up in another issuance by the aforesaid deadline.

B. Benefits

- (A) After issuing bank debentures in 2016-2017, the Bank was able to keep up its capital adequacy ratio of not lower than 13.5%.
- (B) Meanwhile, the Bank saw the outstanding balance of loans increase to NT\$165.2 billion at the end of 2017 from NT\$129.5 billion two years earlier.

C. Plans completed in the most recent three years that failed to produce the desired benefits: None.

V. Operational Highlights

1. Business Activities

The Bank mainly operates the following businesses after reorganization as a commercial bank:

- Acceptance of various types of deposits.
- Issuance of financial bonds.
- Handling of loans, discounts, and acceptances.
- Handling of domestic and foreign exchange services.
- Handling of domestic and foreign guarantee services.
- Issuance of domestic and foreign L/Cs.
- Agency collection and payment services.
- Investment in and underwriting of securities.
- Proprietary trading of government bonds.
- Factoring services.
- Provision of financial consulting connected with financing and non-financing services.
- Wealth management services.
- Acting as an agent for personal insurance and property insurance.
- Handling of debit card services.
- Handling of guarantee services connected with export and import foreign exchange, outward and inward remittances, foreign currency deposits and loans, and foreign currency guaranteed payments.
- Handling of services permitted under the *Trust Enterprise Act*.
- Handling of financial derivatives services.
- Handling of other services approved by the competent authority.

Weight of business activities

Unit: NT\$thousands

Item	Year	2017		2016	
		Amount	%	Amount	%
Net interest income		1,976,217	44	2,083,898	48
Net fee income		656,229	15	823,615	19
Gains or losses on financial assets (liabilities) at fair value through profit or loss		(540,380)	(12)	589,819	14
Realized gains or losses on available-for-sale financial assets		394,922	9	291,754	7
Net gain or loss on exchange		1,244,443	28	(273,333)	(6)
Share of profit or loss of subsidiaries, affiliated businesses, and joint ventures accounted for using equity method		695,405	15	735,478	17
Realized gains or losses on financial assets carried at cost		1,072	-	46,866	1
Other net income apart from interest		78,232	1	20,633	-
Net income		4,506,140	100	4,318,730	100

(1) Business Review

In 2017, the Bank's domestic business locations included its Taipei Headquarters, Taichung Branch, and Kaohsiung Branch, as well as Taipei Vie Show Branch. In addition, the competent authority approved the establishment of regional service units in Taoyuan, Hsinchu, and Tainan; apart from promoting this Bank's financial products, these service units also provide all-round financial services to clients in the manufacturing and technology sectors throughout northern, central, and southern Taiwan. Our first overseas branch—Hong Kong Branch—opened in April 2009; this branch has since extended our financial products and services platform to Hong Kong and the Greater China area, thereby serving local clients and Taiwanese-invested enterprises from a close distance and promoting win-win outcomes through long-term cooperation characterized by mutual trust and reciprocity.

A. Credit Extension

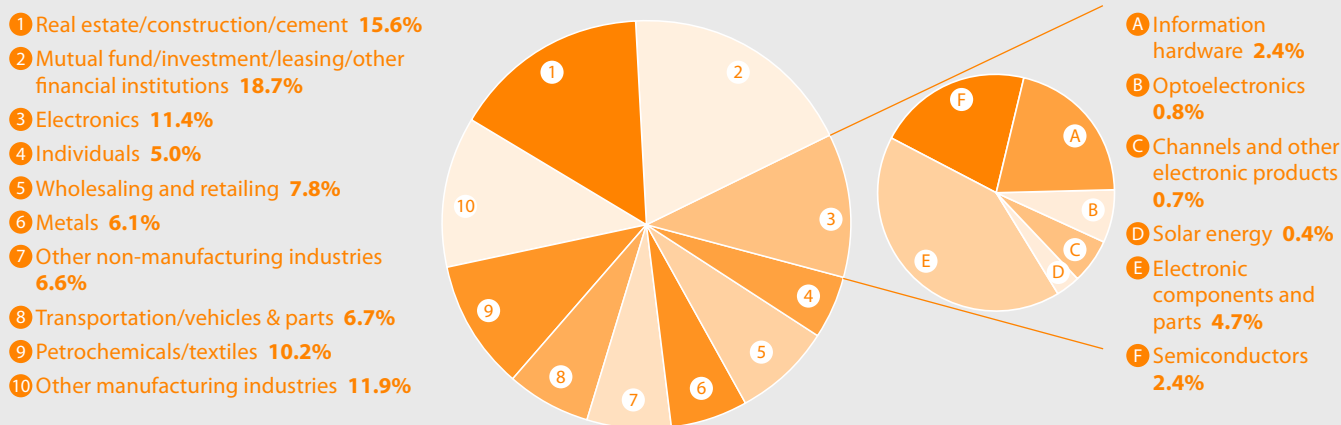
In 2017, the Bank continued to actively cultivate clients in Taiwan and abroad for its corporate banking services. With regard to lending services, apart from pursuing stable growth, we also sought to disperse our operating risk. As such, we adopted conservative and prudent business policies and, at the same time, cautiously and rigorously sought to keep up lending quality and ensure reasonable earnings.

Since this Bank became a commercial bank in 2017, it has begun offering personal financial services. Customers are provided with a diversified range of loan products, including first mortgage loans, three-stage repayment mortgage loans, standard unsecured loans, microcredit loans, and debt-integrated credit products. We are ready to meet client needs for funds in all aspects of their lives.

By industry, the mutual fund/investment/leasing/other financial institutions category accounted for the greatest share of our credit risk exposure, or 18.7%, at the end of 2017. Next came the real estate/construction/cement industry category with 15.6%, the electronics industry with 11.4%, the petrochemicals/textiles industry with 10.2%, the wholesaling and retailing industry with 7.8%, the transportation/vehicles and parts industry with 6.7%, the metals industry with 6.1%, individuals with 5.0%, and others (manufacturing/non-manufacturing industries) with 18.5%. Within the electronics sector, the electronic components and parts industry had the greatest credit risk exposure of 4.7%, followed by information hardware industry with 2.4%, the semiconductor industry with 2.4%, the optoelectronics industry with 0.8%, the channels and other electronics product industry with 0.7%, and the solar energy industry with 0.4%.

As of the end of 2017, this Bank's overall credit assets (outstanding balance of NT dollar and foreign currency lending) came in at NT\$181.7 billion (including receivable L/C amounts), an increase of NT\$23.9 billion from a year earlier. Meanwhile, the Bank recorded a non-performing loan ratio of 0.25% and an NPL coverage ratio of 581.52%, attesting to its sound asset quality.

Clockwise from upper left



We are actively cultivating new clients in Taiwan and abroad. To seek stable growth and diversify operating risk, we are proactive to consolidate our existing customer base and make inroads into the niche segment of mid-market enterprises, which promises to make an important foundation for promoting various co-marketing undertakings.

Syndicated loans have always been the mainstay of our lending business. The Bank's Corporate Finance Department excels at providing customized services and quick and precise financing solutions to clients, raising funds for them, and helping them resolve critical problems. Our target clients are chiefly located in the Greater China area (Taiwan, Hong Kong, and China) and span the industries of retailing, electronics, optoelectronics, steel, transportation, electrical machinery, textiles, foods, chemical engineering, leasing, construction, securities and finance, and communications. Their capital uses include such capital expenditures as plant construction, purchase of machinery and equipment, and real estate development; mergers and acquisitions; equity adjustment; and mid-term working capital needed to improve financial structure. Our meticulous professional services not only help companies maintain growth but also enhance their competitiveness.

In 2017, slowing domestic and foreign economic growth saw companies reduce their capital expenditures. Alongside a gradual decrease in syndicated loans, it was increasingly difficult to secure lead bank status. Yet, on top of a solid customer base built over the years, the Bank always prides itself on staying focused on corporate clients with growth prospects, joining forces with affiliates for co-marketing endeavors, and specializing in cross-border structured cases. In defiance of a largely unfavorable market, we acted as lead bank for a total of 11 syndicated loans in 2017. Combined, these loans amounted to some NT\$27.1 billion and spanned the areas of finance, textiles, real estate, department stores, electronics, and foods.

B. Deposits

Having launched personal financial services since our becoming a commercial bank in 2017, we are striving to expand our customer base and provide an even wider range of deposit products. These include online opening of NT dollar and foreign currency digital accounts without visiting a physical branch, NT dollar and foreign currency demand deposits, NT dollar and foreign currency time deposits, foreign exchange swaps, and various innovative payment and account transfer services. We seek to meet clients' cash management and funds allocation needs via both digital and physical channels.

The Bank's funds are intended mainly for mid- to long-term purposes. As far as our structure of NT dollar and foreign currency deposits are concerned, the Bank thus gives priority to diversifying the maturities of time deposits while actively soliciting demand deposits so as to meet the need for both liquidity and security. As of the end of 2017, the Bank's outstanding balance of NT dollar and foreign currency deposits came in at approximately NT\$183.0 billion, an increase of 11.56% from a year earlier.

In addition, the expansion in our foreign currency loans makes it necessary to aggressively grow foreign currency deposits as well. In the face of intensifying competition in the market, the Bank's end-2017 balance of foreign currency deposits was equivalent to roughly NT\$61.9 billion, which represented a 7.65% year-on-year increase.

C. Foreign Exchange and Offshore Banking

In 2017, we continued to offer trade financing services and give priority to maintaining a reasonable interest spread in our foreign exchange financing operations. As of the end of the year, our outstanding balance of foreign currency loans stood at about NT\$52.5 billion, up 6.7% from a year earlier. With regard to offshore banking, the Bank offered DBU and OBU services across the Taiwan Strait while further strengthening services to clients that have established multinational operations centers so that they could secure the funds needed for offshore operations. Meanwhile, the Bank responded to the rapid development of trade across the Taiwan Strait by enhancing the quality of service to Taiwanese firms, thereby fostering business development and attracting even more business opportunities.

D. Direct Investment

The Bank obtained permission from the Financial Supervisory Commission to become a commercial bank in March 2015. And now we focus on the disposal of our original investment portfolio. As of the end of 2017, the Bank had a total of 34 domestic and foreign investment accounts, with a combined outstanding balance of NT\$1.229 billion.

E. Financial Product Trading

The Bank's financial product trading operations include financial product transactions and marketing. We trade financial products linked to foreign exchange and interest rates as well as their derivatives, and deal in capital allocations and fixed income investment items. Financial product marketing services chiefly refer to those meant to provide clients with various financial products and services and financial hedging instruments.

While the global economy recovered steadily in 2017, the Bank continued to strengthen its overall risk management, monitor market value assessments, and enhance training of relevant personnel. Although

the Federal Reserve initiated a fresh rate hike cycle and sought to shrink its balance sheet, the global funds environment remained relatively loose. In turn, the Bank's fixed income investments continued to bring handsome rewards.

F. Securities Trading

The Bank's securities business chiefly consists of investment in the shares of domestic companies listed on the Taiwan Stock Exchange and Taipei Exchange. While the Federal Reserve initiated a fresh rate hike cycle and moved to shrink its balance sheet, the global funds environment remained loose in 2017 as the global economy enjoyed a steady recovery. Furthermore, corporate earnings grew steadily, and strong gains among new economy and technology shares led stock markets higher worldwide. For its part, Taiwan registered GDP growth of 2.86% in 2017 on the back of robust external trade. This, in turn, pushed the Taiex past the 10,000-point mark. Betting on a stock market bull run driven by solid export momentum during 2017, the Bank adopted an aggressive approach early on to equities investment, a strategy that eventually proved reasonably rewarding.

G. Project Finance

Project finance encompasses project financing and financial consulting. Project financing chiefly provides private companies and state-run (governmental) enterprises with a wide range of project financing and project development services for infrastructure projects in the areas of transportation, energy, and environmental protection, as well as commercial and cultural/educational facilities, commercial real estate development, and urban renewal. We can provide comprehensive project financial planning, investment feasibility assessment, structuring of syndicated project loans, transfer of trust beneficiary rights, drafting of strategies for contract negotiations, and assistance with the acquisition of funds to participate in equity investments. Our financial consulting services are meant to provide clients with tailor-made solutions, that is, consulting with regard to debt arrangement, corporate consolidation and M&As, reorganization, fund-raising, M&A financing, and tax planning.

H. Trust Business

When it comes to trust business, the Bank mainly aims to develop trust, securitization, and asset management services. Our trust services focus on monetary and real estate trust; our securitization services are geared toward developing various kinds of securitized products; and our asset management services are mainly aimed at helping clients allocate assets and build well-rounded portfolios.

With regard to mutual funds, we are earnest to create comprehensive product lines. Emphasis is also placed on promoting "Robot Advisory": big data analytics is adopted to help clients optimize investment portfolios that strike a balance between flexibility and security of their asset allocations.

As of the end of 2017, outstanding balance of assets entrusted to the Bank came in at NT\$2.7 billion. There was a 57.02% decrease in the overall balance of real estate and monetary trust contracts due to contract termination upon maturity and the return of assets to trustors. Separately, the Bank launched non-discretionary monetary trust and advance payment trust services in 2017. As of the end of the year, the outstanding balances for the two stood at NT\$130 million and NT\$250 million respectively.

I. Cash Management and e-Banking

As Taiwan's first digitally focused bank, the Bank is committed to financial innovation and fintech-empowered services. In 2015, the Bank took the lead to initiate corporate e-banking, introduce the industry's first fully integrated secure carrier, and built an electronic trading platform that accommodates automated transactions with a view to ensuring both convenience and security. This was followed in 2016 by our expansion of corporate e-banking services to Hong Kong. In 2017, the Bank reinvented itself as a commercial bank and launched into retail banking. As such, the Bank upgraded its corporate e-banking platform and ushered in an automated online payroll service to help corporate clients reduce financial and manpower costs and enhance transaction efficiency. This stride toward meeting a growing variety of customer needs certainly contributed to strengthening customer loyalty.

As the market became increasingly digitized, we developed and deployed a digital corporate banking platform in 2017. This platform, accessible anytime and anywhere, integrates the Bank's internal systems and strengthens our sales, management, and efficiency across the board, thereby optimizing our management of corporate banking services.

In addition, we added a wide range of liquid asset management products and services to expand access to reliable funds. Emphasis was also placed on meeting customer needs for diversifying funds allocation. On top of our Corporate Tier Rate Campaign for Fresh Funds in NTD Savings Account, we introduced a similar campaign in 2017 to attract large deposits. The initiative was meant not only to attract new customers and foster growth in deposits but also to add diversity to our customer base. In line with our goal of sustainability and commitment to engaging in and promoting the B Corporation initiative, we also introduced Corporate Higher Rate Campaign for Mega-Customer in NTD Savings Account specifically for the B Corporation community. Our goal is to have more local businesses to endorse the cause of sustainable development.

J. Digital Retail Banking Services

- **Payment:** We provide diverse options, including personalized debit cards with as many as 100 different card designs, as well as affinity cards issued in conjunction with gaming companies and electronic stored value card operators. Featuring both attractive incentives and zero-risk card use, they are designed to give cardholders peace of mind.
- **Wealth Management:** We provide a wide range of wealth management products, including insurance, mutual funds, and robot advisory, to meet customer needs of financial management and insurance in different phases of their lives.
- **Electronic Banking:** We provide secure and convenient online/mobile banking services, and our user-friendly interface and convenient functions allow users to easily check their accounts, make transfers, sell or buy foreign exchange, pay fees, perform mutual fund transactions, and conduct various other operations. We also offer 24-hour video customer service: our customers are invited to take advantage of all manner of financial services anytime, anywhere.

(2) Business Plan for 2018

A. Credit Extension

In the face of an intensely competitive credit market, we strategically consider ourselves a "boutique bank" in the corporate banking sector. We are ready to build on our existing customer base and implement the following action plans:

- (A) Encourage new accounts, expand the Bank's customer base, and uncover structured deal opportunities as a means of increasing fee income.
- (B) Continue cultivation of quality clients and establish a new clientele of "strategic partner accounts" to increase ROA.
- (C) Increase the weighting of MME services in transactional trade financing and deposit services, making them a key driver of trade financing and deposit businesses.
- (D) Build on the benefits of e-banking and e-factoring to grow the Bank's global transaction service (GTS) business, thereby complementing the growth in fee income and demand deposits. Use existing large clients as the basis for expanding to other members of their supply chains—an expansion of both our customer base and business opportunities.
- (E) Expand lending and trade financing opportunities based on the features of industry clusters in locations where our branches operate.
- (F) Make use of our branches in Taiwan and Hong Kong as two engines for driving the expansion of our customer base and broadening of business scope.
- (G) Vie for lead bank status in quality domestic and overseas syndicated loans to meet customer needs for fund-raising and capital allocation.

In terms of retail banking, we provide customers mainly with personal loan services online. In addition to handling such basic procedures as loan applications, quotations, and contract-signing in accordance with laws and regulations, we make use of big data analytics and other fintech applications to provide different customer segments with personalized loan services. At the same time, in order to do away with the inconvenience hampering the traditional personal loan application process and provide customers with a more satisfactory banking experience, we have integrated video capability into our service platform. As a result, customers can use cell phones, internet, apps, and chat service channels to gain access to our lending services that are now characterized by superior quality and real-time information.

B. Deposits

To expand sources of stable funds and reduce liquidity risk, we make it a point to adjust our deposit account structure and increase the weighting of demand deposits in 2018.

Restructuring into a commercial bank means that our bid for attracting more depositors is no longer bound by regulations governing industrial banks and that we are free to expand our deposit customer base. Meanwhile, we will continue to optimize our corporate e-banking services, enhance incentives for new deposits, and offer favorable terms for large corporate deposits that are invariably price-sensitive, thereby securing long-term, low-interest funds and widening our interest spread on the back of low-cost funds.

With regard to our personal deposit business, we are continuing to introduce various types of preferential deposits, promote the opening of foreign currency accounts and handling of foreign exchange swaps online, and bolster account capabilities to further increase customer dealings, thereby making the Bank the primary

partner for customers in terms of capital allocation. Under our member-get-member (MGM) initiative, we will further encourage existing clients to recommend new ones and integrate resources within the O-Bank Group to attract more salary transfer accounts and thus accelerate expansion of our customer base. At the same time, we are relying on cross-industry alliances to gain access to the existing clients of our partners. We are also taking advantage of internet and social media to expand our exposure and recognition and in turn facilitate customer growth.

This year we will perform customer segment analysis on the basis of customers' deposit performance and define customer segments in accordance with distribution performance and deposit amounts. We will take into account our operational needs and business targets while offering different deposit interest rates to customers in different segments. We will also introduce preferential plans, such as tiered demand deposit packages, to persuade customers to keep more deposits with us, thereby making O-Bank their primary partner bank.

C. Foreign Exchange and Offshore Banking

In recent years, the Chinese economy has shifted from rapid expansion to steady growth. While China is now working on adjusting its industry structure and legal system, emerging markets across Southeast Asia are catching up rapidly. In response, the Bank is keen to seize business opportunities in overseas markets, assert its presence across borders, and seek out opportunities for making independent investment or taking stakes. To date, our investment in China is concentrated in its three major economic regions: the Bohai Bay Economic Rim, the Yangtze River Delta, and the Pearl River Delta. Our representative office in Tianjin and financial leasing venture mark our commitment to creating a financial services network to cater to Greater China. In addition to setting up IBT International Leasing Corp. and IBT Tianjin International Leasing Co., Ltd. in Suzhou and Tianjin respectively, we have established outlets in other major cities to serve both China's SMEs and microbusinesses and Taiwanese companies operating there. While such endeavors surely boost our growth momentum, we have also gradually reaped fruits from strengthening core products and services, tightening risk management, and enhancing the quality of lending. Since its establishment in 2012, IBT International Leasing Corp. has been a constant winner of awards on the "China Financial Leasing Honor Roll" every year for its extraordinary operating performance and risk management. These include the Emerging Force Award in 2012, the Pioneer Award in 2013 and 2014, the Special Contribution Award in 2015, the Outstanding Innovation Award in 2016, and the Achievement Award in 2017. It is thus the only Taiwanese company to have been awarded by the China Financial Leasing Honor Roll for six consecutive years. Separately, IBT International Leasing Corp. not only was recognized by the Finance Office of Jiangsu Province's Award for Distinctive Use of Financial Technology in 2016 but also the Jiangsu Province Financial Leasing Association's Annual Award for Outstanding Company for two years in a row. Established in July 2013, IBT Tianjin International Leasing Co., Ltd. is the O-Bank Group's regional headquarters for leasing operations in northern China. Having grown steadily since its inception, it was commended by authorities at China's Tianjin High-Tech Industrial Development Zone in 2015 as a Model Enterprise for Innovation.

The Bank's Tianjin representative office, established in mid-April 2012, mainly engages in market research and assists affiliates of the O-Bank Group in liaison affairs with regard to businesses in this northern coastal metropolis. As the first Taiwanese-invested financial institution making its way into Tianjin, the Bank is proactive to promote interaction between financial and industrial circles in Tianjin and Taiwan. Given its role

as an important bridge for bilateral cooperation and interchange, the office expects to increase the Bank's reputation in the Tianjin market and help its financial leasing venture expand business, thereby creating synergies in the process. In the future, the office is set to further expand its financial services and customer base and apply for upgrading to subsidiary or branch status in due time.

We will continue to cultivate the local market this year via our financial leasing companies in China, implement localized operation and management, increase penetration into corporate banking clients and their loyalty and dependence, and actively expand our presence in the Greater China and Southeast Asia markets. We will assess the feasibility of setting up more overseas outposts in order to strengthen our network of cross-border channels. Moreover, all-round assessment of M&As and attraction to strategic shareholders investment will be made as we make use of resources across the O-Bank Group to improve our overseas management framework and strengthen our presence in the region's financial market.

D. Direct Investment

In the wake of the Bank's reorganization into a commercial bank, we will give priority to disposing of our original investment portfolio in 2018. Awaiting disposal this year is some NT\$700 million worth of investment.

E. Financial Product Trading

When it comes to the international financial environment in 2018, worries over inflation are on the rise as U.S. tax reform is taking its toll, the Fed is hiking interest rates and reducing its balance sheet, stock markets are consolidating their gains of recent years, and U.S. companies have reported better-than-expected earnings. The expectation that the Fed will accelerate rate hikes is set to weigh on global financial markets as the greatest uncertainty.

Generally speaking, Taiwan's exports will continue to thrive this year. According to the Directorate General of Budget, Accounting and Statistics (DGBAS), Taiwan is expected to register economic growth of 2.42% against a 1.21% year-on-year increase in the CPI in 2018. While funds are poised to remain ample, the Central Bank of Taiwan can be expected to maintain its loose monetary policy in the foreseeable future. The NT dollar, by contrast, is likely to experience wider fluctuations due to a good number of uncertainties weighing on the international community.

Faced with a hugely volatile financial environment, the Bank is set to strengthen across-the-board management of assets and liabilities and bolster risk management across all product lines, thereby vigorously keeping up asset quality. Meanwhile, we will prudently assess the risk appetite of our clients, further foster customer relations, and strengthen the competence of our financial product team in order to effectively reinforce our financial marketing operations.

F. Securities Trading

According to International Monetary Fund (IMF) projections, the world economy is expected to grow a healthy 3.9% in 2018. Given still ample liquidity and corporate earnings staying on growth track, global stock markets stand a good chance of staying bullish. On the other hand, the Fed is poised to push interest rates higher and phase in balance sheet cutbacks and central banks worldwide are likely to follow suit with their own tightening. Coupled with lingering geopolitical concerns over North Korea among others and the specter of trade frictions escalating between the U.S. and China, stock markets are bound to experience

wider swings at a time when share valuations are already far from low. In view of the fact that Taiwan's economy is still highly dependent on exports, we will pay special attention to macroeconomic trends this year, in particular changes in export orders and the exchange rate. At the operational level, we expect the ongoing worldwide economic revival to push commodity prices higher. Likewise, fundamental leads in relation to innovative electronics and technology products, high-performance computing, the Internet of Things, and auto electronics are likely to lead the shares of relevant companies higher. All in all, we anticipate opportunity and risk to coexist in 2018.

G. Project Finance

As the year 2018 unfolds, we will build on our extensive customer base in the Greater China area and provide corporate clients with optimal customized solutions. Assistance will be offered in such areas as debt arrangement, corporate consolidation and M&As, restructuring, fund-raising, M&A financing, and tax planning. At the same time, we will continue to assess and strive for the opportunity of acting as financial advisor to public infrastructure and private development projects, draft feasible financial and commercial frameworks for various development and urban renewal projects, and create financing and investment opportunities that are likely to emerge accordingly.

H. Trust Business

Now that the Bank has become a commercial bank, we are proactive to develop trust services and diversify trust offerings to cater to even more consumers. In particular, priority will be given to undertaking charitable trust, foreign currency monetary trust, advance payment trust, and personal trust services. That is, we will devise tailor-made trust contracts to meet all manner of customer needs.

On top of our existing institutional trust services, we will introduce non-discretionary money trusts for investing in domestic and foreign securities, securities trusts, real estate trusts and transfers of beneficial rights, and trusts of purchase funds from real estate transactions. Trust services will also be made available to structured financing cases, thereby further expanding the Bank's customer base and business scope.

I. Cash Management and e-Banking

We have striven to become a leading digital bank in Taiwan since our transformation into a commercial bank in 2017. As digital financial technology increasingly holds sway, we are ready to accelerate our digitization push in order to grow income and deepen our partnership with customers in 2018. At the end of 2017, O-Bank already introduced its digital corporate banking platform that draws on fintech and big data analytics to internally deliver real-time services at all times. This platform can also conduct a thorough analysis of customer dealings with the Bank, identify customer needs over the course of their operations, and integrate the Bank's internal resources for provision of comprehensive real-time information to customers. Such capacity goes a long way toward facilitating the Bank's sales and customer management and enhancing its management efficiency at large. Above all, it enables the Bank to fully demonstrate the spirit of "benefiting others to fulfill oneself."

J. Digital Retail Banking Services

In terms of business strategies, we have made digital banking the core of our development because today's customers highly depend on their mobile devices. Our goal is to create a "secure, convenient, beneficial, interesting" customer experience. Social media and cloud marketing is adopted for interacting and

communicating with customers and delivering inclusive financial products and services. Combining big data analytics and B2B2C strategic alliances, we can reciprocate customers with genuine benefits and fulfill our altruistic ideal of “benefiting others to fulfill oneself.”

- Payment services: Keep up partnerships with e-commerce and electronic payment operators to better meet diverse customer needs.
- Wealth management services: Robot advisory is our core initiative with the most financial inclusive campaign, “Zero Service Charge”, as our first year competition in the market. We offer free subscribing to mutual funds or robot advisory services. In aligning with our policy on financial inclusive, we also provide customers with tailor-made investment recommendations.

(3) Market Analysis

A. Current and future industry prospects

On the back of a steadily recovering global economy, both investment and consumption increased in developed countries in 2017. This certainly gave a boost to world trade at large and export-oriented emerging economies in particular. Precisely such a beneficiary, Taiwan recorded stronger-than-expected economic growth accordingly. According to Directorate General of Budget, Accounting and Statistics tallies, Taiwan’s GDP growth accelerated to 2.86% in 2017 from 1.41% a year earlier. Combined, domestic banks reported 2017 pretax profit of NT\$305.9 billion, up a minor 2% from the year before. Of these numbers, the headquarters and domestic branches of local banks had pretax profit of NT\$194.8 billion for the year, representing a 6% year-on-year decrease due to the need for more NPL provisions in the wake of the Qing Fu scandal and the hefty 2016 profit level caused by one-off items. In terms of offshore earnings, the OBUs and foreign and mainland Chinese branches of local banks saw their combined profits increase 20% in 2017 from a year earlier as the renminbi remained relatively stable, the Chinese economy held ground, and the impact of TRF provisions on the OBUs started to abate. In particular, the mainland Chinese branches of Taiwanese banks recorded a 571% jump in aggregate 2017 pretax profit to an all-time high of NT\$4.2 billion. On the other hand, domestic banks registered NPL and NPL coverage ratios of 0.28% and 492.92% respectively for the year, attesting to reasonably sound asset quality.

When it comes to the operating environment facing the banking industry this year, excess liquidity is set to remain a headache despite a minor pickup in demand for capital that is expected to derive from the ongoing economic recovery. While the government actively encourages banks to participate in various financing projects and thus help improve their own operating performance, banks are left to seek out business opportunities and deliver innovative, value-added services. Only then can they expect to effectively increase earnings. On the other hand, banks are confronted with multiple cross-industry challenges, notably higher costs stemming from the need to ensure compliance with anti-money laundering (AML), information security, and personal information protection regulations as well as the rapid rise of fintech as a force to reckon with. Caution is warranted for assessing the 2018 earnings outlook of domestic banks.

B. Technological development and the emergence of fintech

The rapid development of financial technology (fintech) has not only altered contact methods between banks and their customers but also revolutionized how banks conduct business. In addition, the fact that non-financial companies can now rely on their technological expertise to cross over into financial markets

has created new challenges for banks. In light of these circumstances, the Financial Supervisory Commission has actively sought to create a digitalized financial environment since 2014. As such, it has assisted financial services providers in embracing innovation as a mainstay of their business development, permitted such innovative services as online deposits, lending, and wealth management, and allowed them to make investments in fintech companies. At the end of 2017, the FSC implemented the *Financial Technology Development and Innovative Experimentation Act*, which promises to go a long way toward promoting fintech development in Taiwan and making the local financial industry more competitive.

Fintech applications have now swept across the banking industry: it is being widely applied in such areas as payments, insurance, financing, fund-raising, and investment. Thanks to technologies such as mobile communications, social media, cloud services, and big data analytics, the virtual is increasingly replacing the physical in the financial world. Keenly aware of this, the Bank decided to move away from the traditional banking model that relies on massive physical infrastructure and switched to virtual channels as the mainstay of our business. An innovative operating model is adopted instead for provision of banking services. In addition, the Bank is planning to forge cross-industry collaboration to gain access to the know-how of technology companies and customer pools of platform operators.

C. Development strategy and positive/negative factors

(A) Development strategy

Responding to the emergence of mobile devices that new-generation highly depends on, our retail banking services will employ digital finance as their developmental focus. We are using advanced information systems and technologies in conjunction with social media and cloud marketing to transform ourselves into a digitally focused bank that draws on virtual channels to provide inclusive financial products and services. We will also employ big data analytics and strategic alliances to achieve a cost advantage and create a superior customer experience, while providing more convenient, friendlier banking services to meet the needs of new-generation customers. Our corporate banking services will continue to take “intensive cultivation” as their strategic theme, and we will carefully select customers and strengthen product co-marketing in order to effectively boost customers' earnings contribution. We will keep up with financial market trends and introduce more niche products.

At the same time, to take advantage of the rapidly growing financing needs of SMEs in China, we will further expand our leasing ventures across the Taiwan Strait and establish a shared platform on this front, undertake co-marketing in conjunction with our Tianjin representative office and Hong Kong Branch, do our utmost to seize business opportunities derived from China's economic growth, and maximize the benefits of our investments on the mainland. In the days ahead, we will continue to seek out domestic and foreign opportunities for acquisitions, expand our service scale, and strengthen our position in the domestic market, thereby achieving both external growth and earnings growth.

(B) Positive factors:

The Bank prides itself in being spared any burden of outdated systems and running on a highly agile organization. We are ready to adopt the world's most advanced information systems, and our organizational structure is highly flexible, allowing us to make rapid business decisions. We are using virtual channels to develop a business model characterized by agility, speed, and convenience, through which customers are provided with financial services with excellent quality and reasonable price.

In addition, we have accumulated ample corporate banking experiences and an extensive customer base

comprising business conglomerates over the course of 18 years. All these naturally form a solid backing for our launching into retail banking. In the future, the O-Bank Group will adopt an all-encompassing strategy to build on our existing corporate and individual clients for creating a firm retail banking customer base.

(C) Negative factors:

We recognize that we are a newcomer—a lesser-known name—in the retail banking market. We will therefore continue to rely on social media and other channels to increase our exposure and expand customer sources. With regard to our physical outlets, we will reposition our branches as digital service experience centers, create attractive features and activities, draw customer attention, and make virtual and physical channels complement each other. In so doing, we want to make sure that customers appreciate the fact of our being always ready to provide them with financial services.

(4) Financial Product Research and Business Development

A. Corporate Banking

(A) Corporate e-banking:

Since our transformation into a commercial bank, we have expanded our services to individual customers. As such, our corporate e-banking platform has newly introduced payroll services: corporate clients can now arrange same-day or future payroll disbursements. This in turn can uphold the separate and independent powers of financial and human resources personnel, make payroll tasks more convenient, and safeguard the confidentiality of salaries.

(B) Digital corporate banking platform:

We will strengthen our corporate customer management mechanisms and develop a digital platform that helps our corporate banking units and personnel track and monitor customer status and operating performance on a real-time and integral basis. The availability of in-house business indicators will enable personnel and managers to monitor customers' current-day, current-month, and current-year cumulative performance at any time, thereby tracking the target attainment and performance improvement of individuals, units, and the Bank at large.

In addition, this platform provides notification of such information as capital levels and due dates, offers a calendar tool facilitating arrangement of customer visits, conferences, and the like, and allows real-time interest rate and exchange rate queries.

a. R&D expenditures during the two most recent fiscal years and expected future expenditures:

Unit: NT\$ thousands

Year	2017 (actual number)	2016 (actual number)
Amount	6,800	4,000
Growth rate (%)	70%	-

b. Research and development results during 2017

Unit: NT\$ thousands

Project	Amount Invested
Digital corporate Banking Platform	6,800

B. Retail Banking

The Bank was restructured into a commercial bank in 2017. R&D expenses going toward developing digital banking systems totaled NT\$431 million during 2016 and 2017. The goal is to provide customers with a full range of online financial services and financial products different from those offered by other banks.

- Digital banking: We offer various account transfer methods and convenient services to help customer doing cash management, such as “ O-Bank Super Rapid Collection and Payment” and “Easy Transfer” (transferring money by mobile phone number and address book), expenditure analysis, easy bookkeeping, and automatic reconciliation.
- Robot advisory: We provide customers with easy and rational choices when it comes to investing and managing their assets. Our system's algorithm lets customers assemble investment portfolios matching their risk attributes and notifies them of opportune times for portfolio adjustments necessitated by changes in the market.
- Online personal unsecured loans: We allow customers to apply for unsecured loans online. Customers will be notified of the outcome in 12-24 hours after our automated review runs its course.
- Three-stage repayment mortgage loans: We provide customers with multiple options for making repayments. Customers are free to take their income into consideration and choose a proper mode of repayment they see fit.
- 24-hour real-person video customer service: Customers are given the option of talking to service personnel face-to-face anytime, anywhere.

(A) R&D expenditures during the two most recent fiscal years and expected future expenditures:

Unit: NT\$ thousands

Year	2018 (projected number)	2017 (actual number)	2016 (actual number)
Amount	133,500	427,907	3,219
Growth rate (%)	(69%)	13,193%	-

Note: The Bank's 2017 R&D expenditures mainly went toward installing a core system and other digital platforms in line with its transformation into a commercial bank. In 2018, R&D expenditures will be geared toward system optimization; user experience and feedback will be the basis for our efforts to further improve our system and enhance operating efficiency and service quality.

(B) Research and development results during 2017

Unit: NT\$ thousands

Project	Amount Invested
Cloud service platform	124,004
Electronic banking	117,160
24-hour video customer service system	58,605
Robot advisory	48,000
Online lending system	43,660
Big data analytics	36,478

(C) Future research and development plans

Unit: NT\$ thousands

Plans/projects during the most recent fiscal year	Current progress	Further required R&D expenses	Expected date of completion	Main factors affecting success of future R&D
Optimization of online lending procedures	In progress (completion: 80%)	6,692	Mar. 31, 2018	Integrity of business planning and availability of system development manpower
Upgrading of robot advisory	In progress (completion: 80%)	12,396	Mar. 31, 2018	
Improvement of e-banking functions	In progress (completion: 30%)	82,661	Jun. 30, 2018	
Improvement of video customer service system functions	In planning	20,551	Sep. 30, 2018	
Big data marketing	In planning	11,200	Sep. 30, 2018	

In the days ahead, we will be committed to having our retail banking services keep up with the government initiative to open up digital banking and relevant technologies that are still evolving by the day. In addition to providing customers with more convenient online services to enhance customer satisfaction, we will draw on big data analytics to explore, identify, and understand customer needs, thereby ensuring that our products and services can satisfy customers at every stage of their lives.

C. Trust Business

In December 2017, the *Financial Technology Development and Innovative Experimentation Act* rammed through Taiwan's parliamentary floor in a third reading, making Taiwan the fifth country in the world to implement such a regulatory sandbox framework after the U.K., Singapore, Australia, and Hong Kong. The explosive development of fintech worldwide certainly poses a formidable challenge to the traditional financial industry. In 2017, we introduced robot advisory that makes use of big data analytics to provide customers with a big variety of new investment management options. With regard to monetary trusts, we are keen to apply innovative technologies and develop such services as virtual currency transaction trusts and electronic payment stored-value trusts. At the same time, we are set to promote charitable trusts in line with our altruistic ideal of "benefiting others to fulfill oneself."

Trust products offered during the most recent two years and their amounts:

Unit: NT\$millions

Item	2017	2016
Non-discretionary money trusts for investing in domestic and foreign securities	132	0
Other monetary trusts	499	512
Real estate trusts	1,787	5,698
Advance payment trusts	251	0

(5) Short- and Mid- to Long-Term Business Development Plans

Taking into account current political and economic conditions at home and abroad and various factors favorable and unfavorable to our development, the Bank will work vigorously for business growth. To achieve the said goal, we have drafted the following short- and mid- to long-term business development plans:

A. Short-term business development plans:

(A) Strengthen strategic alliances, use big data to secure customers

This Bank is undeniably a latecomer to the ranks of commercial banks. Pitted against an intensely competed environment, we will work along several lines to build our retail banking customer base. On one hand, we will strive to establish strategic alliances with firms in other industries and offer joint services focusing on everyday needs. As we gradually establish a brand alliance and ecosystem, we will enter consumers' everyday applications and reap large numbers of new customers. On the other hand, we will perform systematic, data-driven cross-selling that targets existing customers to increase product penetration and customer stickiness. Equal emphasis will be placed on delivering an optimal customer experience, thereby creating an excellent reputation and soliciting customer recommendations to others.

(B) Persist with the "intensive cultivation" strategy, enhance corporate banking efficiency

Strategically speaking, "intensive cultivation" will continue to characterize our corporate banking services. We will seek to maximize the benefits of capital utilization. To further enhance business efficiency and cut costs, we will emphasize the development of niche services such as securitization and structured financing, and seek to provide customers with all-round solutions. At the same time, we will strengthen

internal communication between departments, formulate and track even more effective KPIs, and devise action plans to increase the weighting of demand deposits.

(C) Bolster co-marketing, create synergies

We will make good use of our existing corporate banking customer base in expanding such services as salary transfers, VIP mortgage loans, and wealth management. We will also cooperate with affiliates of the O-Bank Group in drafting projects and plans to broaden and deepen the relations with corporate clients. To better meet specific needs, such as those related to corporate payrolls, we will combine our innovations in both corporate and retail banking to develop customized financial services and provide tailor-made total solutions to fulfill our corporate philosophy of "One Bank".

B. Mid- to long-term business development plans:

(A) Introduce forward-looking thinking, create a unique customer experience

We will actively seek out opportunities for cooperation in the areas of fintech applications and innovative business models with a view to ushering advanced technology into digital banking operations and creating a wider range of inclusive financial services. We are ready to share with customers the huge savings from the massive outlays otherwise needed for building more physical branches. At the same time, we will make good use of big data and cloud computing to develop a wide range of products that meet diverse customer needs. We will keep coming up with beneficial, interesting, convenient, and secure services that effectively bolster our image as a native digital bank capable of providing customers with an utterly refreshing experience in digital innovation.

(B) Continue to promote the "Wangdao (王道)" spirit within and outside the Bank

It has long been our belief that every enterprise hinges on its corporate culture. "Benefiting others to fulfill oneself" is not merely a "Wangdao (王道)" spirit we promote internally. We hope to extend this altruistic ideal to all stakeholders. As the Bank continues to expand, we will stand by this "Wangdao (王道)" spirit as we invite more like-minded professionals to get on board. While our organization is set to get bigger and bigger, we will uphold our corporate culture and spirit of "always sincere, always here." By making sure that everyone follows the "Wangdao (王道)" spirit, we have reason to believe that we can bring down the cost of internal communication and increase efficiency. On the other hand, the Bank took the lead to endorse the B Corporation initiative in 2017 by introducing a preferential package meant exclusively for corporate clients that have been certified as one. In the days ahead, we expect to develop financial services that combine our corporate social responsibility and professional financial expertise and prove even more beneficial to the public.

2. Human Resources

(1) The Bank's number of employees, as well as their average years of service, average age, educational background, and professional licenses held during the most recent two years and the current year up to the date of publication of this annual report:

Year		2016/12/31	2017/12/31	2018/3/31
Number of Employees	Clerks	670	796	806
	Workers	22	32	32
	Total	692	828	838
Average Age		39.0	38.6	39.3
Average Years of Service		5.7	3.8	3.9
Distribution of Academic Degrees	PhD	0.2%	0.3%	0.2%
	MA	39.7%	36.4%	36.5%
	BA	59.1%	61.7%	61.3%
	Senior High School	1.0%	1.6%	2.0%
Professional Licenses Held	Banks' Internal Control and Audit Exam	297	342	337
	Exam on Financial Market Knowledge and Professional Ethics	277	355	348
	Trust Services Competency Exam	256	308	305
	Structured Commodities Salesperson Qualification Exam	112	124	128
	Financial Derivatives Salesperson Qualification Exam	1	4	5
	Securities Brokerage Salesperson Qualification Exam	61	65	63
	Securities Brokerage Senior Salesperson Qualification Exam	109	116	117
	Personal Insurance Salesperson Qualification Exam	69	137	145
	Property Insurance Salesperson Qualification Exam	58	118	123
	Exam for Personal Insurance Salespeople Selling Foreign Currency, Non-Investment Products	24	36	39
	Entry-Level Lending Personnel Qualification Exam	146	159	160
	Entry-Level Forex Personnel Qualification Exam	117	135	134
	Bond Trading Competency Exam	31	30	30
	Forex Trading Competency Exam	8	8	9
	Bills Salesperson Qualification Exam	46	46	46
	Securities Investment and Trust Salesperson Qualification Exam	67	67	68
	Securities Analyst Qualification Exam	6	5	5
	ACAMS Certification	-	2	3

Note: The employee tallies in the table do not take account of those working at overseas branch entities.

(2) Status of employee training:

To meet the need for migrating toward digital banking and ushering in a new business model, the Bank devises comprehensive training programs and career paths for employees based on its operating strategy and goal while paying special attention to incorporating the Bank's core values and specific requirements. Each year, training programs that focus on management capacity and specialized skills are designed separately for employees of different levels to enhance their competitiveness.

In 2017, the Bank hosted 375 internal training courses and drew on outside organizations for another 475 courses. Trainees totaled 20,350 persons. Combined, the Bank's employees underwent a total of 33,993 hours of training, averaging out to 39.2 hours at an average cost of over NT\$7,630 per person.

On top of the internal and external courses cited above, the Bank's digital learning platform—O-Bank Digital Academy—also provides a wide range of in-house and outsourced courses that cover various financial disciplines, legal compliance, and management issues. In 2017, a total of 275 such online training courses were offered and employee attendances amounted to 12,572 hours.

Given its emphasis on protecting personal information, the Bank also introduced a series of training courses in 2017 to promote the key principles on this front.

3. Corporate Social Responsibilities and Code of Ethical Conduct

Since its inception, the Bank has taken sustainability as its core business goal, and has continuously devoted itself to the five major corporate social responsibility areas of employee care, customer service, corporate governance, environmental protection, and social engagement. The Bank established its Corporate Social Responsibility Committee in January 2015, and the highest-ranking managerial officers in all departments serve as committee members. The CSR committee, which reports to the Board of Directors on an annual basis, seeks to ensure that the Bank's trustworthy management philosophy is extended to every aspect of the Bank's business, and that the Bank fulfills its responsibilities to all stakeholders: employees, customers, shareholders, suppliers, and the public. In 2017, the Bank published a CSR report disclosing the Bank's CSR implementation results during the past year, and this report earned a golden medal of Corporate Sustainability Report Award, which is part of the Taiwan Corporate Sustainability Awards organized by the Taiwan Institute for Sustainable Energy. Attesting to the Bank's moving up another rung on this front, this accolade came in the wake of the Bank's winning a silver medal award the year before.

With regard to employee care, we continue to provide annual training to bolster employee competitiveness. We have also trained in-house lecturers, developed the O-Bank Digital Academy electronic learning platform, and strengthened employee awareness of health and safety in order to create a healthy working environment. In the area of customer service, we faithfully uphold and implement the competent authority's regulations, strive to effectively protect customer privacy and transaction security, and provide customers with quick and convenient in-person and online financial services. Since the introduction of retail banking services in 2017, we have sought to provide products that meet consumer needs while upholding the spirit of digital financial innovation. In the area of corporate governance, we make it a point to maintain information transparency and open disclosure. We have established the Audit Committee and appointed independent directors to ensure the effective supervision of internal operations. Furthermore, we have enacted the *Procedures for Ethical Management* and *Guidelines for Conduct and Principles for Fair Treatment of Customers*. In addition, we have established internal irregularity reporting mechanisms, drafted anti-corruption and fraud prevention policies, and rely on employee training and

awareness to realize the concept of trustworthy management in every part of the Bank. In terms of environmental protection, we advocate energy conservation and carbon reduction, promote green purchasing, and conduct water resource management and waste reduction rigorously. In terms of social engagement, we maintain an attitude of human concern and participate in a wide array of social concern and public interest activities. Apart from concern for underprivileged groups, we also dedicate our efforts to promoting art education, and lead and encourage employees to join us in our charitable endeavors.

In keeping with its commitment to corporate social responsibility, the Bank maintains a spirit of service that values learning, innovation, and sustainability. Setting up an education foundation as early as July 2000, we draw on our corporate expertise, government support, and private resources to vigorously promote various industry-academia collaborations, technology management seminars, entrepreneurship workshops, and art and cultural activities. We hope to open new horizons for the public and the younger generation, encourage the spirit of innovation, and cultivate art appreciation ability, thereby boosting the country's competitiveness and cultural endowment. With its sponsorship of art events meant for charity, innovative startups, and social engagement events, our Education Foundation was a recipient of the Arts & Business Awards of the Council for Cultural Affairs in 2010 and of the 9th National Civic Service Awards of the Ministry of the Interior in 2011. These honors attest to the Bank's dedication to fulfilling its corporate social responsibility.

- Social Welfare

Over the years the Bank has been proactive to get involved in social welfare activities in line with its aspiration for following the “Wangdao (王道)” spirit of “benefiting others to fulfill oneself” as well as its commitment to fulfilling corporate social responsibility. In 2017, our major social welfare undertakings consisted of participation in activities benefiting schoolchildren in isolated areas, promotion of social enterprises, and support for the B Corporation initiative. We provided vigorous support for schools and daily assistance in remote areas: offering scholarships to outstanding young students, joining schoolchildren in celebrating the holidays, conducting financial knowledge instruction, and collecting second-hand books for donation to schools in remote areas. Our volunteers, who number more than a dozen, regularly hold videoconferencing sessions with children in Jiqing Elementary School to help them with their schoolwork and lives.

We are continuing to actively promote and support social enterprises through tangible actions, including the holding of farmers' markets and initiation of group buying from social enterprises. In addition, we also host social enterprise talks, inviting the managers of social enterprises to give speeches on relevant topics, so that the ideal of social enterprises can gain a bigger audience and all employees of the Bank can learn more about them. Furthermore, in order to help promote the B Corporation initiative in Taiwan, the Bank has offered preferential demand deposit interest rates and salary transfer account services to certified companies. By taking action and drawing on financial resources to support “businesses that do good to the world,” the Bank demonstrates its resolve to make a staunch ally of Taiwan’s B Corporation community. In 2017, O-Bank was certified as a B Corporation, making it not only the first public company and financial services provider listed on the Taiwan Stock Exchange but also the first listed bank in the world to have been thus certified.

Since 2009, the Bank has sponsored the Xue Xue Foundation's Chinese Zodiac Animals Scholarship Program on an annual basis. Likewise, we have offered annual sponsorship to the Criminal Investigation and Prevention Association since 2008 to help boost academic research and deliver practical assistance in police administration. In 2017, we sponsored the "Best for Taipei" competition organized by the Taiwan B Corporation Association as

well as the 2nd Annual B Corp Asia Forum. Our intention is to take the lead in rallying local businesses to pay special attention to employee care, environmental friendliness, and community management and encouraging them to fulfill their corporate social responsibility, thereby realizing a universally shared vision of a thriving environment and prosperous society.

- Education in Culture and the Arts

In order to promote art education, we have held a series of art and cultural activities since 2008, including concerts, exhibitions, “Stars of Tiding” Art Advocacy Project, “Art Salons,” “Go To Taiwan” Visual Arts Advocacy Project and educational programs. We provide stages for new artistic talents to perform on, help emerging artists to engage in interdisciplinary study, and promote the development of the art industry. At the same time, we also help develop the creative potential of underprivileged schoolchildren in grades three through five.

In 2017, the O-Bank Education Foundation held a total of 46 art and cultural events. Of these, 20 were concerts, four were lectures on culture and the arts, nine were art exhibitions, five were film showings, and eight were art and cultural visits and workshops intended for underprivileged schoolchildren. These activities attracted nearly 20,000 participants. Our Art Advocacy Project provided support to 64 young musicians and 21 young artists in 2017. Exhibitions and concerts were held to provide these young talents with a stage to perform on. In 2017, we also undertook the 2nd “Go To Taiwan” project that solicited visual artworks and organized two touring exhibitions accordingly. While a total of 10 young artists secured sponsorship, the first-place winner was treated to a one-month tour of Vienna to study its culture and the arts. Meanwhile, we produced an album featuring the finalist and prize-winning works for provision to major libraries. To cultivate art appreciation ability among the young, we held eight sessions of the educational programs in 2017. The participating artists personally served as tour guides, designed teaching materials, and performed teaching. This activity encouraged elementary school pupils' artistic talents, and let them show their art at a year-end exhibition. Of the 102 schoolchildren participating in this activity, 80 were underprivileged children.

4. Non-Executive Employees, Annual Employee Welfare Costs and the Difference from the Previous Year:

Year	2016	2017
Number of Non-Executive Employees	584	702
Average Expenditure for Employee Benefits (NT\$thousands)	1,010	1,102

Note 1: The employee tallies in the table do not take account of those working at overseas branch entities.

Note 2: Expenditures for employee benefits include salaries, bonuses, premiums for national health and labor insurance, pensions, and other benefit expenses.

5. Information Equipment

(1) Hardware and Software Configurations of Major Information Systems

The Bank's major information systems include those meant for front-end trading, mid-end management, back-end operations, and office automation. The primary hardware lineup includes IBM RS6000, Oracle SPARC, HP ProLiant, and Lenovo xServer while software, IBM AIX, RedHat Linux, Oracle Solaris, Windows Server, VMware, Oracle DB, and Windows SQL DB. Besides conducting in-house supervision and maintenance of the said major hardware and software, the Bank has also contracted suppliers for routine maintenance and emergency repairs in order to make sure that all information equipment runs smoothly at all times. The Bank is ready to gradually expand the foregoing information systems in coming years if this is warranted by business needs and performance considerations.

(2) System Development or Procurement

A. Major Special Projects Undertaken in 2017: Hong Kong branch Anti-money Laundering System(AML), NOSTRO, eForm and Workflow Management System, Regulatory Reporting System, Enterprise Digital Platform(EDP).

The credit verification system, mobile app, enterprise decision management system, automation valuation model system, e-land registration system, provision joint credit information center system, provision Taiwan clearing house system, data warehousing system, digital data collection system, robot advisory system, investment transaction system, wealth management system, insurance broker/agent system, and gift system.

B. Future Plans: Major special projects planned for 2018 include conversion of the foreign exchange system; upgrade of the core banking system of the Hong Kong Branch; and optimization of the credit-checking and lending system. In the days ahead, the Bank is ready to develop other new information systems needed for implementing its business strategy that are secure, scalable, and easy to integrate with other systems in order to achieve business goals and increase customer satisfaction.

(3) Emergency Backup

The Bank has produced data backup media for off-site storage to prepare for the eventuality of natural disasters or human errors causing malfunction of computer mainframes or communication systems, thereby disrupting business operations. Moreover, the Bank has also established a remote backup center in the Acer Aspire Park in Longtan and adopted off-site data duplication by means of its storage area network. In the event of any disaster, personnel of the Bank can immediately go to the remote backup center and have the primary information systems resume operations.

(4) Protective Measures

To uphold information security, the Bank has introduced antivirus software, double firewalls, hacking and advanced persistent threat defense, file and computer access control, monitoring for network traffic anomaly, defense against DoS (denial-of-service) attack, automatic updating of patches, website links control, instant messaging control, email filtering, external storage devices control, defense against data leakage, monitoring of database activities, mobile devices control, privileged account management, scanning for system vulnerability, source-code examination, and penetration testing. Separately, the Bank assesses and examines the security of computer systems and mobile apps each year to bolster security throughout online communications as well as computer and application systems.

6. Labor Relations

(1) Employee benefit plans and retirement system as well as the status of their implementation; the status of labor-management agreements and measures for preserving employee rights and interests:

- A. Benefit Plans: In addition to offering national health and labor insurance, as required by law, the Bank provides employees with group insurance and sets up the Employee Welfare Committee to implement various benefit plans. These include club activities; grants of money for weddings, funerals, schooling, or illness; family day; and year-end parties. To fulfill corporate social responsibility and boost employee well-being, the Bank also provides employees with health checkups, gifts of money for major traditional holidays and birthdays, and childcare subsidies. To help employees' needs to take care of family, the Bank has also taken the lead to grant leaves for accompanying family, charity events and birthdays. Male employees are entitled to leaves to keep their wives company for pregnancy checkups. Moreover, flexible working hours are offered to create a truly friendly workplace that takes into account employee needs.
- B. Retirement System: In accordance with the *Labor Standards Act*, the Bank makes a labor pension reserve appropriation each month and deposits this amount in a designated account. Jointly established by labor and management, the Labor Pension Reserve Fund Supervisory Committee is charged with the responsibility of examining or reviewing such matters as appropriations, deposits, and withdrawals. Upon implementation of the *Labor Pension Act*, the Bank also began, on a monthly basis, making labor pension contributions to individual accounts of employees applicable to the Act at the Bureau of Labor Insurance, Ministry of Labor.
- C. Labor-Management Agreements: Any new and amended measures with regard to labor-management relations are subject to thorough communication between the two sides and their reaching a consensus thereof. Employees may also present their views to managerial officers through internal communication channels. As such, bilateral communication is kept smooth to help promote the harmony of labor-management relations.
- D. Measures for Preserving Employee Rights and Interests: In addition to enacting well-rounded internal regulations and operating procedures, the Bank makes it a point to uphold employee rights and interests and make sure that employees perform their duties in accordance with applicable laws or regulations and internal control regulations. The said regulations and procedures contain clearly defined provisions with regard to working hours, requesting and taking leave, salaries and bonuses, rewards and penalties, retirement, and occupational safety and health. To spare employees from sexual harassment and uphold gender equality at the workplace, the Bank has also implemented preventive measures and adopted regulations for filing complaints and imposing penalties. A sexual harassment complaint handling committee is now in place to receive allegations, conduct investigations, and take whatever action is warranted accordingly.

(2) Losses sustained as a result of labor disputes: Thanks to human-based management, the Bank has been able to enjoy harmonious labor-management relations and thus has not sustained any losses arising from labor disputes during the most recent year and the current year up to the date of publication of this annual report.

7. Material Contracts:

Type of Contract	Contracting Parties	Commencement and Expiration Dates	Major Content	Restrictive Clauses
Contract on authorization and maintenance of the Bank's new core system	The Bank and International Integrated Systems, Inc.	2015/11/9-2030/11/8	Installation of a new core system after the Bank's transformation to a commercial bank	As provided by the contract
Contract on authorization for system use and provision of special project service	The Bank and Salesforce.com Singapore Pte. Ltd.	2016/2/15-2019/2/14	Authorization for system use and provision of special project service after the Bank's transformation to a commercial bank	As provided by the contract
Contract on installation of a new infrastructure for core and peripheral systems	The Bank and International Integrated Systems, Inc.	2016/3/11-2019/12/31	Installation of a new infrastructure for core and peripheral systems after the Bank's transformation to a commercial bank	As provided by the contract
Installation of personal/mobile banking systems and provision of special project service	The Bank and IBM Taiwan	2016/3/30-2018/4/2	Installation of personal/mobile banking systems and provision of special project service after the Bank's transformation to a commercial bank	As provided by the contract
Contract on production and delivery of bank/debit cards	The Bank and Gemalto Taiwan Co., Ltd.	2017/10/6-2018/10/5	Production and delivery of bank/debit cards	As provided by the contract
Contract on production and delivery of bank/debit cards	The Bank and Taiwan Name Plate Co., Ltd.	2017/6/5-2018/6/4	Production and delivery of bank/debit cards	As provided by the contract
Contract on cash transport for the Bank	The Bank and Taiwan Security Co., Ltd.	2017/1/1-2018/12/31	Cash transport	As provided by the contract
Contract on cash transport for the Bank	The Bank and Lee Bao Security Co., Ltd.	2017/1/1-2018/12/31	Cash transport	As provided by the contract

8. Securitization:

The Bank did not initiate securitization of any financial products in 2017.

VI. Financial Information



1. Five-Year Financial Summary

(1) Consolidated Balance Sheets

Unit: NT\$ thousands

Item	Year	The Last Five Years				
		2017	2016	2015	2014	2013
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		18,132,429	23,106,957	16,879,083	27,193,320	14,421,780
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		154,136,983	147,722,285	159,678,561	138,404,925	146,282,464
AVAILABLE-FOR-SALE FINANCIAL ASSETS		149,145,722	126,981,565	115,841,981	95,063,691	86,838,448
DERIVATIVE FINANCIAL ASSETS FOR HEDGING		-	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS		5,682,864	200,092	4,100,000	1,750,739	1,358,800
RECEIVABLES, NET		21,202,093	19,046,408	19,759,425	16,292,701	12,502,448
CURRENT TAX ASSETS		301,362	200,582	207,351	208,147	148,287
ASSETS HELD FOR SALE, NET		-	-	-	-	-
DISCOUNTS AND LOANS, NET		180,086,186	162,544,641	146,443,247	131,025,730	117,770,778
HELD-TO-MATURITY FINANCIAL ASSETS		499,821	5,544,703	9,849,587	4,884,679	2,293,502
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		-	107,981	170,642	268,834	394,431
RESTRICTED ASSETS		99,943	148,214	450,649	465,909	462,193
OTHER FINANCIAL ASSETS, NET		1,183,491	1,520,931	1,837,635	2,746,204	2,664,823
PROPERTY AND EQUIPMENT, NET		3,084,952	3,771,171	3,017,250	2,943,946	2,776,274
INVESTMENT PROPERTY, NET		-	-	8,157	8,283	-
INTANGIBLE ASSETS, NET		2,403,367	1,499,011	1,408,773	1,283,828	1,210,533
DEFERRED TAX ASSETS, NET		582,334	565,263	554,623	539,317	539,048
OTHER ASSETS		4,030,474	3,924,946	5,779,178	4,983,247	3,365,724
TOTAL ASSETS		540,572,021	496,884,750	485,986,142	428,063,500	393,029,533
DEPOSITS FROM THE CENTRAL BANK AND BANKS		53,032,639	56,697,931	47,840,792	43,586,167	44,990,370
DUE TO THE CENTRAL BANK AND BANKS		-	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		791,018	2,377,872	6,289,076	5,795,508	2,399,922
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING		-	-	-	-	-
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		189,821,968	163,304,781	171,238,096	136,519,486	152,552,307
ACCOUNTS PAYABLES		5,022,681	3,753,143	4,477,081	2,857,519	3,405,538
CURRENT TAX LIABILITIES		136,269	75,726	55,409	85,506	142,647
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE		-	-	-	-	-
DEPOSITS AND REMITTANCES		198,286,700	184,587,611	172,776,282	156,516,082	120,881,706
BANK DEBENTURES		20,400,000	17,450,000	14,950,000	14,980,000	11,480,000
PREFERRED STOCK LIABILITIES		-	-	-	-	-
OTHER FINANCIAL LIABILITIES		22,337,877	18,831,642	18,317,578	19,457,077	11,437,995
PROVISIONS		1,874,368	1,801,044	1,741,005	1,672,612	1,486,399
DEFERRED TAX LIABILITIES		216,007	248,870	230,434	156,281	81,576
OTHER LIABILITIES		2,477,851	1,885,021	1,789,099	1,454,596	1,275,367
TOTAL	BEFORE DISTRIBUTION	494,397,378	451,013,641	439,704,852	383,080,834	350,133,827
LIABILITIES	AFTER DISTRIBUTION	Note 2	452,099,495	440,900,105	384,035,889	350,610,373
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANKS		29,282,593	29,388,658	29,678,133	28,671,261	26,742,073
CAPITAL STOCK	BEFORE DISTRIBUTION	24,130,063	23,905,063	23,905,063	23,905,063	23,905,063
	AFTER DISTRIBUTION	Note 2	23,905,063	23,905,063	23,905,063	23,905,063
CAPITAL SURPLUS		7,730	3,193	1,773	-	-
RETAINED EARNINGS	BEFORE DISTRIBUTION	5,124,400	5,195,687	4,759,374	4,003,935	2,727,494
	AFTER DISTRIBUTION	Note 2	4,109,833	3,564,121	3,048,880	2,250,948
OTHER EQUITY		20,400	284,715	1,030,616	812,883	160,136
TREASURY STOCK		-	-	(18,693)	(50,620)	(50,620)
NON-CONTROLLING INTERESTS		16,892,050	16,482,451	16,603,157	16,311,405	16,153,633
TOTAL EQUITY	BEFORE DISTRIBUTION	46,174,643	45,871,109	46,281,290	44,982,666	42,895,706
	AFTER DISTRIBUTION	Note 2	44,785,255	45,086,037	44,027,611	42,419,160

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The appropriation of earnings for 2017 has yet to be approved by 2018 general shareholders' meeting.

(2) Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands; EPS in dollars

Item \ Year	The Last Five Years				
	2017	2016	2015	2014	2013
Interest revenue	8,176,263	6,874,444	6,273,240	5,564,810	4,674,425
Less: Interest expenses	3,584,088	2,723,007	2,888,663	2,859,696	2,539,975
Net interest	4,592,175	4,151,437	3,384,577	2,705,114	2,134,450
Net revenue other than interest	3,321,879	3,570,534	3,741,028	4,216,528	3,820,924
Total net revenue	7,914,054	7,721,971	7,125,605	6,921,642	5,955,374
Provisions	(894,250)	(609,637)	(401,890)	(270,359)	(202,292)
Total operating expenses	(4,175,614)	(3,536,549)	(3,044,719)	(3,273,404)	(2,983,056)
Profit from continuing operations before income tax	2,844,190	3,575,785	3,678,996	3,377,879	2,770,026
Income tax expenses	(732,303)	(833,742)	(690,425)	(624,196)	(593,717)
Profit from continuing operations	2,111,887	2,742,043	2,988,571	2,753,683	2,176,309
Net profit (loss) from discontinued operations	(52,986)	92,956	(67,821)	-	-
Net profit for the year	2,058,901	2,834,999	2,920,750	2,753,683	2,176,309
Other comprehensive income, net of income tax	(41,924)	(1,099,318)	416,497	717,598	(220,990)
Total comprehensive income	2,016,977	1,735,681	3,337,247	3,471,281	1,955,319
Net profit attributable to: Owners of the Bank	1,072,080	1,643,898	1,726,066	1,768,580	1,128,836
Net profit attributable to: Non-controlling interests	986,821	1,191,101	1,194,684	985,103	1,047,473
Total comprehensive income attributable to: Owners of the bank	799,316	892,217	1,928,227	2,417,364	1,069,643
Total comprehensive income attributable to: Non-controlling interests	1,217,661	843,464	1,409,020	1,053,917	885,676
Earnings per share	0.45	0.69	0.72	0.74	0.47

Note : The fiscal years for which reports were CPA audited.

(3) Individual Balance Sheets

Unit: NT\$ thousands

Item	Year	The Last Five Years				
		2017	2016	2015	2014	2013
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		13,015,386	17,865,166	12,447,787	23,032,946	10,490,406
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		44,703,932	39,538,632	43,244,877	40,791,063	29,275,309
AVAILABLE-FOR-SALE FINANCIAL ASSETS		48,598,498	32,628,260	28,999,739	20,152,502	13,951,645
DERIVATIVE FINANCIAL ASSETS FOR HEDGING		-	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS		-	-	-	-	-
RECEIVABLES, NET		5,891,803	4,690,507	5,310,002	2,901,504	2,266,526
CURRENT TAX ASSETS		54,922	55,293	12,598	8,260	40,544
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET		-	-	-	-	-
DISCOUNTS AND LOANS, NET		162,757,142	143,940,139	127,322,632	116,041,998	104,986,209
HELD-TO-MATURITY FINANCIAL ASSETS		499,821	5,544,703	9,849,587	4,499,471	448,823
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		14,219,590	14,242,663	16,475,130	16,642,945	16,819,204
RESTRICTED ASSETS		-	-	-	-	-
OTHER FINANCIAL ASSETS, NET		777,105	1,039,445	1,234,552	1,570,044	1,407,216
PROPERTY AND EQUIPMENT, NET		2,864,155	3,524,300	2,724,988	2,639,108	2,462,435
INVESTMENT PROPERTY, NET		-	-	-	-	-
INTANGIBLE ASSETS, NET		1,248,176	248,507	111,489	28,774	28,309
DEFERRED TAX ASSETS, NET		138,133	79,550	110,237	177,931	222,051
OTHER ASSETS		251,373	1,757,667	3,134,069	2,339,336	335,115
TOTAL ASSETS		295,020,036	265,154,832	250,977,687	230,825,882	182,733,792
DEPOSITS FROM THE CENTRAL BANK AND BANKS		34,894,919	41,875,141	36,830,792	31,346,167	30,770,370
DUE TO THE CENTRAL BANK AND BANKS		-	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		700,106	2,349,989	6,135,494	5,360,113	1,543,845
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING		-	-	-	-	-
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		15,845,930	2,091,749	-	844,143	85,701

(4) Individual Income Statement

Unit: NT\$ thousands; EPS in dollars

Item	Year	The Last Five Years				
		2017	2016	2015	2014	2013
Interest revenue		4,138,029	3,629,099	3,356,594	2,962,829	2,221,238
Less: Interest expenses		2,161,812	1,545,201	1,618,207	1,585,879	1,178,665
Net interest		1,976,217	2,083,898	1,738,387	1,376,950	1,042,573
Net revenue other than interest		2,529,923	2,234,832	2,051,922	2,178,507	1,800,862
Total net revenue		4,506,140	4,318,730	3,790,309	3,555,457	2,843,435
Provisions		(534,168)	(409,498)	(144,269)	(221,658)	(413,361)
Total operating expenses		(2,746,189)	(2,052,648)	(1,641,040)	(1,419,331)	(1,123,847)
Profit from continuing operations before income tax		1,225,783	1,856,584	2,005,000	1,914,468	1,306,227
Income tax expenses		(153,703)	(212,686)	(278,934)	(145,888)	(177,391)
Profit from continuing operations		1,072,080	1,643,898	1,726,066	1,768,580	1,128,836
Net profit (loss) from discontinued operations		-	-	-	-	-
Net profit for the year		1,072,080	1,643,898	1,726,066	1,768,580	1,128,836
Other comprehensive income, net of income tax		(272,764)	(751,681)	202,161	648,784	(59,193)
Total comprehensive income		799,316	892,217	1,928,227	2,417,364	1,069,643
Net profit attributable to: Owners of the Bank		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net profit attributable to: Non-controlling interests		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Owners of the bank		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Non-controlling interests		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Earnings per share		0.45	0.69	0.72	0.74	0.47

Note : The fiscal years for which reports were CPA audited.

(5) Auditors' Opinions from 2013 to 2017:

Year	Accounting Firm	CPA	Audit Opinion
2017	Deloitte & Touche	Yang, Chen-hsiu, Chen, Li-chi	Unmodified Opinion
2016	Deloitte & Touche	Yang, Chen-hsiu, Chen, Li-chi	Unmodified Opinion
2015	Deloitte & Touche	Yang, Chen-hsiu, Chen, Li-chi	Unmodified Opinion
2014	Deloitte & Touche	Yang, Chen-hsiu, Chen, Li-chi	Unmodified Opinion
2013	Deloitte & Touche	Yang, Chen-hsiu, Chen, Li-chi	Unmodified Opinion

2. Five-Year Financial Analysis

(1) Consolidated Financial Analysis

Unit: NT\$ thousands

Analysis Item		Year	The Last Five Years				
			2017	2016	2015	2014	2013
Operating Capacity	Loan to deposit Ratio (%)		92.18	89.39	86.19	85.32	99.34
	NPL Ratio (%)		0.25	0.02	0.28	0.34	0.50
	Ratio of interest payments against annual average deposit balance (%)		0.78	0.61	0.75	0.81	0.74
	Ratio of interest revenues against annual average loan balance (%)		2.54	2.60	2.54	2.56	2.38
	Total assets turnover rate (times)		1.53	1.57	1.56	1.69	1.61
	Average revenue per employee (in NTD thousand)		5,406	5,841	5,696	5,821	5,215
	Average earnings per employee (in NTD thousand)		1,406	2,144	2,335	2,316	1,906
Profitability	Return on Tier 1 capital (%)		7.00	12.05	17.42	17.14	14.50
	Return on assets (%)		0.40	0.58	0.64	0.67	0.59
	Return on equity (%)		4.47	6.15	6.40	6.26	5.10
	Net income ratio (%)		26.02	36.71	40.99	39.78	36.54
	Earnings per share (in NT\$ dollars)		0.45	0.69	0.72	0.74	0.47
Financial structure	Total liabilities to total assets ratio (%)		91.17	90.46	90.17	89.15	88.76
	Total property and equipment to equities ratio (%)		6.68	8.22	6.52	6.54	6.47
Growth rate	Growth rate of assets (%)		8.79	2.24	13.53	8.91	12.71
	Growth rate of profitability (%)		(24.30)	2.24	6.96	21.87	84.98
Cash Flow	Cash flow ratio (%)		4.12	2.05	Note 8	15.68	Note 8
	Cash flow adequacy ratio (%)		42.78	22.21	9.59	75.24	Note 8
	Cash flow satisfied ratio (%)		56.89	103.15	Note 8	307.18	Note 8
Liquidity reserves ratio (Individual) (%)			37.37	42.84	45.86	39.13	32.55
Total secured loans to related parties (Individual)			1,180,079	1,094,210	1,503,520	1,405,880	1,611,321
Ratio of total secured loans to related parties against total loans (Individual) (%)			0.66	0.71	1.08	1.19	1.44
Scale of Operations (Individual)	Market share of assets (%)		0.60	0.56	0.55	0.52	0.45
	Market share of worth (%)		0.81	0.84	0.91	0.98	1.00
	Market share of deposits (%)		0.52	0.48	0.47	0.45	0.37
	Market share of loans (%)		0.63	0.58	0.53	0.50	0.47

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

1. Overdue loans ratio is over than that of the previous year mainly due to an increase in the amount of overdue loans.
2. Ratio of interest payments against annual average deposit balance is over than that of the previous year mainly due to an increase in the periodic deposit interest rate.
3. Average earnings per employee are lower than that of the previous year mainly due to an increase in the number of employees.
4. Return rate of Tier 1 capital is lower than that of the previous year mainly due to a decrease in the net income. Also, the previous year was included the beginning of individual in the return on total assets ratio.
5. Return on assets is over than that of the previous year mainly due to a decrease in the net income and an increase in average assets.
6. Return on equity is lower than that of the previous year mainly due to a decrease in the net income.
7. Ratio of net income is lower than that of the previous year mainly due to an increase in the amount of operation expenses and bad debt expenses which caused a decrease in the net income.
8. Earnings per share is lower than that of the previous year mainly due to a decrease in the net income.
9. Growth rate of assets is over than that of the previous year mainly due to an increase in the amount of loans and available-for-sale investment.
10. Growth rate of profitability is lower than that of the previous year mainly due to an increase in the amount of operation expenses and bad debt expenses which caused a decrease in the net income. This also led to a significant change in the proportion of the past two years.
11. Ratio of cash flow is over than that of the previous year primarily due to an increase in the net cash in-flow in business operations.
12. Ratio of cash flow adequacy is over than that of the previous year primarily due to an increase in the net cash in-flow in business operations.
13. Ratio of cash flow satisfied is lower than that of the previous year mainly due to an increase in the investment on held-for- trading and available-for-sale.

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Operating ability
 - (1) Ratio of loans to deposits = total loans / total deposits
 - (2) Overdue loans ratio = (loans overdue + other overdue) / total loans
 - (3) Ratio of interest cost to annual average deposits = interest cost / annual average deposits
 - (4) Ratio of interest income to annual average loans outstanding = interest income / annual average loans outstanding
 - (5) Total assets turnover = net operating revenue / average of total assets
 - (6) Average operating revenue per employee (Note 6) = net operating revenue / number of employees
 - (7) Average profit per employee = after-tax income / total number of employees
2. Profitability
 - (1) Return on tier 1 capital = before-tax earnings or losses / Net Average Tier I Capital
 - (2) Return on assets = net income / average of total assets
 - (3) Return on equity = net income / average of total equity
 - (4) Ratio of net income = net income / total revenue
 - (5) Earnings per share = (net income – preferred stock dividend)/average weighted outstanding stock (Note 4)
3. Financial structure
 - (1) Ratio of liabilities to assets = liabilities / total assets
 - (2) Ratio of real estate & equipment to equity = real estate and equipment assets / equity

4. Growth rate

- (1) Asset growth rate = (total assets of the year – total assets of previous year) / total assets of previous year
- (2) Profit growth rate = (before-tax earnings or losses of the year – before-tax earnings or losses of previous year) / before-tax earnings or losses of previous year

5. Cash flow (Note 7)

- (1) Ratio of cash flow = net cash flow from business activities / (call loans and overdrafts from banks + commercial paper payable + financial liabilities measured at fair value through profit or loss (fvtp) + bonds and bills sold under repurchase agreements + current portion of payables)
- (2) Ratio of cash flow to dividends and expenditures = net cash flow from business activities for the past five years / (capital expenditures + cash dividends) for the past five years
- (3) Ratio of cash flow for operating to cash flow from investing = net cash flow from business activities / net cash flow from investing activities

6. Liquidity reserves ratio = liquid assets stipulated by CBC / reserves appropriated for various types of deposits

7. Operating scale

- (1) Market share of asset = total assets / total assets of the major financial institutions (Note 5)
- (2) Market share of net worth = net worth / total net worth of the major financial institutions
- (3) Market share of deposit = total deposits / total deposits of the major financial institutions
- (4) Market share of loan = total loans / total loans of the major financial institutions

Note 3: Total liabilities are deducted from guarantee liability preparation and accidental loss provisions

Note 4: The calculation formula for the earnings per share of the preceding paragraph should pay particular attention to the following matters when measuring:

- (1) Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
- (2) In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
- (3) In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
- (4) If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
- (5) In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 5: Financial institutions capable of operating deposits and loans, including the local banks, branches of China's banks in Taiwan, branches of foreign banks in Taiwan, credit cooperatives, credit departments of agriculture and fishery associations.

Note 6: Revenue refers to the total of interest income and non-interest income.

Note 7: Give special attention to the following matters when carrying out cash flow analysis:

- (1) Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
- (2) Capital expenditures means the amounts of cash out-flows for annual capital investment.
- (3) Cash dividend includes cash dividends from both common shares and preferred shares.

Note 8: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated.

(2) Consolidated Capital Adequacy

Unit: NT\$ thousands

Analysis Item			Year	The Last Five Years				
			2017	2016	2015	2014	2013	
Eligible Capital	Common Shares Equity Tier 1		39,951,052	39,970,360	21,316,632	20,163,160	19,218,013	
	Other Tier 1 Capital		-	-	-	-	-	
	Tier 2 Capital		8,193,754	7,958,989	4,168,719	4,969,418	2,230,204	
	Eligible Capital		48,144,806	47,929,349	25,485,351	25,132,578	21,448,217	
Amount of risk-weighted assets	Credit risk	Standard	281,472,735	269,123,088	150,471,365	141,354,706	119,155,020	
		Internal ratings-based approach	-	-	-	-	-	
		Asset securitization	-	-	-	-	-	
	Operational risk	Basic indicator approach	8,580,350	8,216,913	7,111,525	6,566,038	6,245,450	
		Standard/alternative standardized approach	-	-	-	-	-	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standard	69,552,775	59,733,113	6,228,413	10,448,613	18,458,588	
		Internal models approach	-	-	-	-	-	
	Total risk-weighted assets		359,575,860	337,073,114	163,811,303	158,369,357	143,859,058	
	Capital adequacy ratio			13.39%	14.22%	15.56%	15.87%	14.91%
Ratio of common equity to risk-weighted assets			11.11%	11.86%	13.01%	12.73%	13.36%	
Ratio of Tier 1 capital to risk-weighted assets			11.11%	11.86%	13.01%	12.73%	13.36%	
Leverage ratio			6.70%	7.18%	8.15%	-	-	

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The table shall disclose the calculation formula as follows:

(1) Eligible Capital = Common Shares Equity Tier 1 + other tier 1 capital + tier 2 capital

(2) Risk weighted assets = credit risk weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5

(3) Capital adequacy ratio = Eligible Capital / amount of risk-weighted assets

(4) Common stock based capital ratio = (Common Shares Equity Tier 1 + Other Tier 1 Capital) / amount of risk-weighted assets

(5) Common Shares Equity Tier 1 risk based capital ratio = Common Shares Equity Tier 1/amount of risk-weighted assets

(6) Leverage ratio = Common Shares Equity Tier 1 + Other Tier 1 Capital / total risk exposure

Note 3: Leverage ratio was disclosed since 2015.

(3) Individual Financial Analysis

Unit: NT\$ thousands

Analysis Item		Year	The Last Five Years				
			2017	2016	2015	2014	2013
Operating Capacity	Loan to deposit Ratio (%)		90.25	89.06	83.25	83.74	97.06
	NPL Ratio (%)		0.25	0.02	0.28	0.34	0.50
	Ratio of interest payments against annual average deposit balance (%)		0.79	0.59	0.76	0.85	0.80
	Ratio of interest revenues against annual average loan balance (%)		2.23	2.18	2.04	2.07	2.22
	Total assets turnover rate (times)		1.61	1.67	1.57	1.72	1.68
	Average revenue per employee (in NTD thousand)		4,930	5,623	8,064	9,234	7,898
	Average earnings per employee (in NTD thousand)		1,173	2,140	3,672	4,588	3,136
Profitability	Return on Tier 1 capital (%)		5.89	9.15	10.50	10.82	8.03
	Return on assets (%)		0.38	0.64	0.72	0.86	0.67
	Return on equity (%)		3.65	5.57	5.92	6.38	4.26
	Net income ratio (%)		23.79	38.06	45.54	49.74	39.70
	Earnings per share (in NTD)		0.45	0.69	0.72	0.74	0.47
Financial structure	Total liabilities to total assets ratio (%)		90.03	88.89	88.14	87.54	85.34
	Total property and equipment to equities ratio (%)		9.78	11.99	9.18	9.20	9.21
Growth rate	Growth rate of assets (%)		11.26	5.65	8.73	26.32	17.94
	Growth rate of profitability (%)		(33.98)	(7.40)	4.73	46.41	1,178.60
Cash Flow	Cash flow ratio (%)		Note 3	Note 3	13.37	42.28	5.91
	Cash flow adequacy ratio (%)		114.74	110.13	196.14	366.38	Note 3
	Cash flow satisfied ratio (%)		Note 3	Note 3	42.08	171.58	114.37
Liquidity reserves ratio (%)			37.37	42.84	45.86	39.13	32.55
Total secured loans to related parties (in NTD thousand)			1,180,079	1,094,210	1,503,520	1,405,880	1,611,321
Ratio of total secured loans to related parties against total loans (%)			0.66	0.71	1.08	1.19	1.44
Scale of Operations	Market share of assets (%)		0.60	0.56	0.55	0.52	0.45
	Market share of worth (%)		0.81	0.84	0.91	0.98	1.00
	Market share of deposits (%)		0.52	0.48	0.47	0.45	0.37
	Market share of loans (%)		0.63	0.58	0.53	0.50	0.47

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

- Overdue loans ratio is over than that of the previous year mainly due to an increase in the amount of overdue loans.
- Ratio of interest payments against annual average deposit balance is over than that of the previous year primarily due to increase in the periodic deposit interest rate.
- Average earnings per employee are lower than that of the previous year mainly due to an increase in the number of employees and a decrease in the net income.
- Return rate of Tier 1 capital is lower than that of the previous year mainly due to a decrease in the net income. Also, the previous year was included the beginning of individual in the return on total assets ratio.
- Return on assets is lower than that of the previous year mainly due to a decrease in the net income and an increase in average assets.
- Return on equity is lower than that of the previous year mainly due to a decrease in the net income.
- Ratio of net income is lower than that of the previous year mainly due to an increase in the amount of operation expenses and bad debt expenses which caused a decrease in net income.
- Earnings per share is lower than that of the previous year primarily due to a decrease in net income after income tax.
- Growth rate of assets is over than that of the previous year primarily due to an increase in loans and investment available-for-sale.
- Growth rate of profitability is lower than that of the previous year primarily due to an increase in operation expenses.

Note 1: The fiscal years for which reports were CPA audited.

Note 2: Please refer to page 103 for the calculation formulas for each item in the above Table.

Note 3: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated.

(4) Individual Capital Adequacy

Unit: NT\$ thousands

Analysis Item			Year	The Last Five Years				
			2017	2016	2015	2014	2013	
Eligible Capital	Common Shares Equity Tier 1		20,691,448	20,914,400	19,681,826	18,521,236	16,833,847	
	Other Tier 1 Capital		-	-	-	-	-	
	Tier 2 Capital		5,160,148	4,691,143	2,663,223	3,493,045	88,344	
	Eligible Capital		25,851,596	25,605,543	22,345,048	22,014,281	16,922,191	
Amount of risk-weighted assets	Credit risk	Standard	177,038,851	162,090,192	147,924,999	138,084,332	114,925,128	
		Internal ratings-based approach	-	-	-	-	-	
		Asset securitization	-	-	-	-	-	
	Operational risk	Basic indicator approach	7,422,913	6,946,513	5,991,475	5,311,663	5,010,250	
		Standard/alternative standardized approach	-	-	-	-	-	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standard	4,165,338	4,003,900	4,366,688	4,062,875	6,991,550	
		Internal models approach	-	-	-	-	-	
	Total risk-weighted assets		188,627,102	173,040,605	158,283,162	147,458,870	126,926,928	
	Capital adequacy ratio			13.71%	14.80%	14.12%	14.93%	13.33%
Ratio of common equity to risk-weighted assets			10.97%	12.09%	12.43%	12.56%	13.26%	
Ratio of Tier 1 capital to risk-weighted assets			10.97%	12.09%	12.43%	12.56%	13.26%	
Leverage ratio			7.24%	7.81%	7.64%	-	-	

Note 1: The fiscal years for which reports were CPA audited.

Note 2: Please refer to page 105 for the calculation formulas for each item in the above Table.

Note 3: Leverage ratio was disclosed since 2015.

3. Audit Committee's Report in the Most Recent Year

O-Bank Co., Ltd.

Audit Committee Report

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2017 audited by certified public accountants Yang, Chen-hsiu and Chen, Li-chi of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports and discussing with the CPAs, the Audit Committee has found them to meet the requirements of applicable laws and regulations. This report is hereby prepared and submitted in accordance with Articles 14-4 and 14-5 of the *Securities and Exchange Act*.

Thomas Yue

Convener of the Audit Committee

O-Bank Co., Ltd.

Date: March 28, 2018

4. Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

O-Bank and Subsidiaries (Formerly Industrial Bank of Taiwan)

Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

O-BANK

March 28, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank (the "Bank") and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2017 are as follows:

Allowance for Credit Losses

Concerning the accounting policy on allowance for credit losses, refer to Note 4 to the consolidated financial statements; the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5 to the consolidated financial statements, and the allowance for credit losses, refer to Note 12 to the consolidated financial statements.

Management performs loan impairment tests to establish and recognize allowances for credit losses. Loans that are assessed as not individually impaired are further assessed for impairment on a collective basis, and the assessment utilizes default probabilities and expected recoverable ratios based on historical experience to estimate the impairment value for loans. For loans which are assessed for impairment on an individual basis, the assessment includes evaluating the expected individual recoverable amounts in order to evaluate the impairment loss. Management also refers to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” to calculate the minimum allowance for credit losses. The aforementioned default probabilities, expected recoverable ratios and expected recoverable amounts involve estimations and judgments, which affect the adequacy of allowance for credit losses; therefore, we consider the allowance for credit losses to be a key audit matter.

In response to this key audit matter, we:

- Understood the internal control design and tested and implementation by management in assessing the expected recoverable amount when determining the allowance for credit losses.
- Assessed whether the default probability and the expected recoverable ratio used in assessing loan impairment on a collective basis were accurate.
- Reviewed the assessment reports on assessments of individually impaired loans, including the estimations of expected recoverable amounts, the collateral values and the appropriations of the use of discount rates used by management.
- Verified whether the classifications of loans are in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and assessed whether the allowances for credit losses were adequate by performing recalculations.

Goodwill

Concerning the accounting policy on goodwill impairment, refer to Note 4 to the consolidated financial statements, and details of goodwill impairment, refer to Note 22 to the consolidated financial statements.

Goodwill was recognized when IBT Holdings Corp. purchased shares of EverTrust Bank at above the fair value of the shares. Management is required to carry out an annual impairment test for goodwill when there is any indication of impairment by using the net present value of the cash-generating units' forecasted cash flows as the estimated recoverable amount. Forecasted cash flows involve estimations and judgments, which affect the assessment of goodwill impairment; therefore, we consider goodwill to be a key audit matter.

In response to this key audit matter, we:

- Obtained the goodwill impairment valuation report prepared by an external specialist appointed by the Bank, assessed the competence, capabilities and objectivity of the external specialists and reviewed the goodwill impairment valuation report by understanding and evaluating the appropriateness of the assumptions and methods applied by the external specialists.
- We assessed the estimation basis of the forecasted cash flows and discount rates used in the goodwill impairment valuation report to verify whether they were in accordance with the current condition of the Company and its industry-specific environment.

Assessment of Reserve for Guarantee Liabilities

Concerning the accounting policy on the reserve for losses on guarantees, refer to Note 4 to the consolidated financial statements; significant accounting judgments, estimations and uncertainty of assumptions of the reserve for losses on guarantees, refer to Note 5 to the consolidated financial statements, and the reserve for losses on guarantees is detailed in Note 12 to the consolidated financial statements.

Management focuses on the evaluation of whether the reserve for guarantee liabilities is likely to be used and whether any possible cash inflow will arise as result of settling guarantee obligation. Management also performs an evaluation and classification of credit assets, and a reserve for guarantee liabilities is set aside by a bills finance company in accordance with the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”. The evaluation process is inherently subjective, and the evaluation and classification of credit assets will affect the amount of the reserve for guarantee liabilities; therefore, we consider the reserve for guarantee liabilities to be a key audit matter.

In response to this key audit matter, we:

- Documented and assessed the design and implementation of controls in place for the Company’s assessment of the adequacy of the reserve for guarantee liabilities;
- Evaluated the completeness of the balance of commercial papers exposed to guarantee liabilities shown in the loss reserves evaluation report;
- Reviewed management’s calculation of the value of collateral for the specific impairment of credit assets, and we also checked that the collateral was categorized properly in the loss reserves evaluation report;
- Recalculated the amount of reserve for guarantee liabilities shown in the provision for loss reserves evaluation report to confirm the mathematical accuracy of the provision for loss reserves.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Hsiu Yang and Li-Chi Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

O-BANK AND SUBSIDIARIES

(Formerly Industrial Bank of Taiwan)

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 46)	\$ 6,625,973	1	\$ 5,979,980	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	11,506,456	2	17,126,977	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 46)	154,136,983	29	147,722,285	30
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Note 9)	5,682,864	1	200,092	-
RECEIVABLES, NET (Notes 10 and 12)	21,202,093	4	19,046,408	4
CURRENT TAX ASSETS	301,362	-	200,582	-
DISCOUNTS AND LOANS, NET (Notes 11, 12, 45 and 46)	180,086,186	33	162,544,641	33
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 13 and 46)	149,145,722	28	126,981,565	26
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 14 and 46)	499,821	-	5,544,703	1
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 17)	-	-	107,981	-
RESTRICTED ASSETS (Notes 18 and 46)	99,943	-	148,214	-
OTHER FINANCIAL ASSETS (Note 19)	1,183,491	-	1,520,931	-
PROPERTY AND EQUIPMENT, NET (Note 20)	3,084,952	1	3,771,171	1
INTANGIBLE ASSETS, NET (Note 22)	2,403,367	-	1,499,011	-
DEFERRED TAX ASSETS (Note 42)	582,334	-	565,263	-
OTHER ASSETS (Notes 23 and 46)	4,030,474	1	3,924,946	1
TOTAL	\$ 540,572,021	100	\$ 496,884,750	100

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2017		2016	
	Amount	%	Amount	%
LIABILITIES				
Deposits from the central bank and banks (Note 24)	\$ 53,032,639	10	\$ 56,697,931	11
Financial liabilities at fair value through profit or loss (Note 8)	791,018	-	2,377,872	1
Securities sold under agreement to repurchase (Note 25)	189,821,968	35	163,304,781	33
Accounts payable (Note 26)	5,022,681	1	3,753,143	1
Current tax liabilities	136,269	-	75,726	-
Deposits and remittances (Notes 27 and 45)	198,286,700	37	184,587,611	37
Bank debentures (Note 28)	20,400,000	4	17,450,000	4
Other financial liabilities (Note 29)	22,337,877	4	18,831,642	4
Provisions (Notes 12, 30 and 31)	1,874,368	-	1,801,044	-
Deferred tax liabilities (Note 42)	216,007	-	248,870	-
Other liabilities (Notes 32 and 46)	2,477,851	-	1,885,021	-
Total liabilities	494,397,378	91	451,013,641	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock	24,130,063	5	23,905,063	5
Capital surplus	7,730	-	3,193	-
Retained earnings				
Legal reserve	2,880,297	1	2,390,828	1
Special reserve	1,229,536	-	1,173,293	-
Unappropriated earnings	1,014,567	-	1,631,566	-
Total retained earnings	5,124,400	1	5,195,687	1
Other equity	20,400	-	284,715	-
Total equity attributable to owners of the Bank	29,282,593	6	29,388,658	6
NON-CONTROLLING INTERESTS	16,892,050	3	16,482,451	3
Total equity (Note 33)	46,174,643	9	45,871,109	9
TOTAL	\$ 540,572,021	100	\$ 496,884,750	100

The accompanying notes are an integral part of the consolidated financial statements.

O-BANK AND SUBSIDIARIES

(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
Interest revenue (Note 34)	\$ 8,176,263	103	\$ 6,874,444	89	19
Interest expenses (Notes 34 and 45)	(3,584,088)	(45)	(2,723,007)	(35)	32
Net interest	4,592,175	58	4,151,437	54	11
NET REVENUE OTHER THAN INTEREST					
Commissions and fee revenue, net (Notes 35 and 45)	1,860,135	24	2,019,270	26	(8)
Gain on financial assets and liabilities at fair value through profit or loss (Note 36)	(366,209)	(5)	1,415,729	18	(126)
Realized income from available-for-sale financial assets (Note 37)	406,909	5	309,321	4	32
Foreign exchange gain (loss), net (Note 36)	1,227,205	16	(345,901)	(4)	455
Loss from asset impairment (Note 38)	(4,448)	-	(34,333)	-	(87)
Investment income (loss) recognized under equity method (Note 17)	15,621	-	7,234	-	116
Realized income from financial assets carried at cost (Note 19)	25,685	-	94,176	1	(73)
Consulting revenue	24,585	-	23,481	-	5
Other non-interest net gains (Note 45)	132,396	2	81,557	1	62
Net revenue other than interest	3,321,879	42	3,570,534	46	(7)
TOTAL NET REVENUE	7,914,054	100	7,721,971	100	2
PROVISIONS (Note 12)	(894,250)	(11)	(609,637)	(8)	47
OPERATING EXPENSES					
Personnel expenses (Notes 31, 39 and 45)	2,577,443	33	2,289,410	30	13
Depreciation and amortization (Note 40)	313,764	4	201,859	3	55
Others (Notes 41 and 45)	1,284,407	16	1,045,280	13	23
Total operating expenses	4,175,614	53	3,536,549	46	18

(Continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 2,844,190	36	\$ 3,575,785	46	(20)
INCOME TAX EXPENSE (Note 42)	732,303	9	833,742	11	(12)
PROFIT FROM CONTINUING OPERATIONS	2,111,887	27	2,742,043	35	(23)
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (Note 15)	(52,986)	(1)	92,956	1	(157)
NET PROFIT FOR THE YEAR	2,058,901	26	2,834,999	36	(27)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	(3,467)	-	(19,763)	-	(82)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(507,607)	(7)	(273,625)	(4)	86
Unrealized gain (loss) on available-for-sale financial assets	393,310	5	(862,672)	(11)	146
Share of the other comprehensive income of associates and joint ventures (Note 17)	6,892	-	(16,369)	-	142
Income tax relating to the components of other comprehensive income (Note 42)	68,948	1	73,111	1	(6)
Other comprehensive income (loss) for the year, net of income tax	(41,924)	(1)	(1,099,318)	(14)	(96)
TOTAL COMPREHENSIVE INCOME	\$ 2,016,977	25	\$ 1,735,681	22	16
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,072,080	14	\$ 1,643,898	21	(35)
Non-controlling interests	986,821	12	1,191,101	16	(17)
	\$ 2,058,901	26	\$ 2,834,999	37	(27)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 799,316	10	\$ 892,217	11	(10)
Non-controlling interests	1,217,661	15	843,464	11	44
	\$ 2,016,977	25	\$ 1,735,681	22	16
EARNINGS PER SHARE (Note 43)					
From continuing and discontinued operations					
Basic	\$ 0.45		\$ 0.69		
Diluted	\$ 0.45		\$ 0.69		
From continuing operations					
Basic	\$ 0.47		\$ 0.65		
Diluted	\$ 0.47		\$ 0.65		

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

O-BANK AND SUBSIDIARIES

(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Capital Stock (Note 33)			Retained Earnings (Note 33)	
	Shares (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve
BALANCE AT JANUARY 1, 2016	2,390,506	\$ 23,905,063	\$ 1,773	\$ 1,880,726	\$ 1,178,307
Appropriation of 2015 earnings					
Legal reserve	-	-	-	510,102	-
Special reserve	-	-	-	-	(5,014)
Cash dividends distributed by the Bank	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-
Transmission of treasury stock for employees	-	-	1,420	-	-
Capital reduction of subsidiaries for cash received by non- controlling interest	-	-	-	-	-
BALANCE AT DECEMBER 31, 2016	2,390,506	23,905,063	3,193	2,390,828	1,173,293
Appropriation of 2016 earnings					
Legal reserve	-	-	-	489,469	-
Special reserve	-	-	-	-	56,243
Cash dividends distributed by the Bank	-	-	-	-	-
Net income for the for the year ended December 31, 2017	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-
Issuance of ordinary shares for cash	22,500	225,000	4,537	-	-
BALANCE AT DECEMBER 31, 2017	2,413,006	\$ 24,130,063	\$ 7,730	\$ 2,880,297	\$ 1,229,536

The accompanying notes are an integral part of the consolidated financial statements.

(In Thousands of New Taiwan Dollars)

tributable to Owners of the Bank

Unappropriated Earnings	Total	Other Equity (Note 33)		Treasury Shares (Note 33)	Owner of the Bank	Non-controlling Interests (Note 33)	Total Equity
		Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
\$ 1,700,341	\$ 4,759,374	\$ 406,040	\$ 624,576	\$ (18,693)	\$ 29,678,133	\$ 16,603,157	\$ 46,281,290
(510,102)	-	-	-	-	-	-	-
5,014	-	-	-	-	-	-	-
(1,195,253)	(1,195,253)	-	-	-	(1,195,253)	-	(1,195,253)
1,643,898	1,643,898	-	-	-	1,643,898	1,191,101	2,834,999
(5,780)	(5,780)	(215,050)	(530,851)	-	(751,681)	(347,637)	(1,099,318)
1,638,118	1,638,118	(215,050)	(530,851)	-	892,217	843,464	1,735,681
-	-	-	-	-	-	(798,442)	(798,442)
(6,552)	(6,552)	-	-	-	(6,552)	(160,075)	(166,627)
-	-	-	-	18,693	20,113	-	20,113
-	-	-	-	-	-	(5,653)	(5,653)
1,631,566	5,195,687	190,990	93,725	-	29,388,658	16,482,451	45,871,109
(489,469)	-	-	-	-	-	-	-
(56,243)	-	-	-	-	-	-	-
(1,085,854)	(1,085,854)	-	-	-	(1,085,854)	-	(1,085,854)
1,072,080	1,072,080	-	-	-	1,072,080	986,821	2,058,901
(8,449)	(8,449)	(407,256)	142,941	-	(272,764)	230,840	(41,924)
1,063,631	1,063,631	(407,256)	142,941	-	799,316	1,217,661	2,016,977
-	-	-	-	-	-	(808,062)	(808,062)
(49,064)	(49,064)	-	-	-	180,473	-	180,473
\$ 1,014,567	\$ 5,124,400	\$ (216,266)	\$ 236,666	\$ -	\$ 29,282,593	\$ 16,892,050	\$ 46,174,643

O-BANK AND SUBSIDIARIES

(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	(In Thousands of New Taiwan Dollars)	
	2017	2016
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,844,190	\$ 3,575,785
Income (loss) before income tax from discontinued operations	(48,091)	117,974
Adjustments for:		
Depreciation expenses	179,342	159,950
Amortization expenses	135,700	57,043
Recognition of provisions	894,250	609,637
Net gain on disposal of financial assets at fair value through profit or loss	380,579	(1,411,667)
Interest expense	3,584,095	2,725,733
Interest revenue	(8,179,557)	(6,925,241)
Dividends income	(86,143)	(69,093)
Share base payments costs	4,537	-
Realized gain on the transactions with associates and joint ventures	(16,630)	(9,072)
Gain on disposal of properties	(409)	(129)
Gain on disposal of investments	(346,451)	(339,550)
Impairment loss	28,199	34,333
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(2,187,491)	(1,004,431)
Financial assets at fair value through profit or loss	(7,153,224)	11,977,391
Receivables	(2,460,732)	351,876
Discounts and loans	(18,020,166)	(16,355,994)
Deposits from the central bank and banks	(3,665,292)	8,857,139
Financial liabilities at fair value through profit or loss	(1,586,854)	(3,911,204)
Securities sold under agreements to repurchase	26,517,187	(7,933,315)
Accounts payable	1,095,951	(768,888)
Deposits	13,699,089	11,811,329
Provisions	12,695	258,630
Cash generated from (used in) operations	5,624,774	1,808,236
Interest received	8,678,749	6,275,748
Interest paid	(3,410,461)	(2,680,001)
Dividends received	248,094	94,211
Income tax paid	(767,226)	(802,646)
Net cash generated from operating activities	10,373,930	4,695,548
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(2,411,318)	(873,045)
Proceeds on sale of financial assets designated as at fair value through profit or loss	2,718,595	2,249,473
Purchase of available-for-sale financial assets	(217,514,203)	(66,015,344)
Proceeds on sale available-for-sale financial assets	194,554,138	54,560,305
Received principal of held-to-maturity financial assets	5,045,000	4,305,000

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	(In Thousands of New Taiwan Dollars)	
	2017	2016
Purchase of financial assets measured at cost	\$ (17,712)	\$ (47,964)
Proceeds on sale of financial assets carried at cost	87,197	284,634
Proceeds on sale of investment using equity method	11,839	343
Received principal of financial assets carried at cost	27,289	3,889
Received principal of investments under equity method	-	55,021
Payments for properties	(497,640)	(1,084,582)
Proceeds from disposal of properties	4,689	28,162
Decrease (increase) in refundable deposits	(322,450)	1,974,366
Payments for intangible assets	(184,682)	(195,196)
Loss on disposal of intangible assets	-	21,809
Decrease in other assets	265,136	181,190
Net cash used in investing activities	(18,234,122)	(4,551,939)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(694,995)	(3,019,859)
Increase (decrease) in commercial papers	499,733	2,484,843
Proceeds from issue bank debentures	3,750,000	3,000,000
Repayments of bank debentures	(800,000)	(500,000)
Proceeds from (repayments of) long-term borrowings	3,711,920	1,038,657
Partial disposal of interests in subsidiaries	-	(166,627)
Payments for buy-back of ordinary shares	-	20,113
Issuance of ordinary shares for cash	175,936	-
Capital reduction for cash received by non-controlling interest of subsidiaries	-	(5,653)
Decrease in other financial liabilities	(10,423)	10,423
Dividends paid to ownership of the Bank	(1,085,854)	(1,195,253)
Dividends paid to non-controlling interest	(808,062)	(798,442)
Increase in other liabilities	589,364	80,742
Net cash generated from financing activities	5,327,619	948,944
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	853,326	230,982
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,679,247)	1,323,535
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	19,285,672	17,962,137
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 17,606,425	\$ 19,285,672

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2017 and 2016:

	December 31	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	\$ 6,625,973	\$ 5,979,980
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	5,297,588	13,105,600
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	5,682,864	200,092
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 17,606,425</u>	<u>\$ 19,285,672</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

O-BANK AND SUBSIDIARIES

(Formerly Industrial Bank of Taiwan)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

O-Bank (the "Bank") was incorporated on March 2, 1998. Within these notes to the consolidated financial statements, the Bank and its subsidiaries are hereto forth collectively referred to as the "Company".

To coordinate with the government's financial liberation policy and to increase its efficiency of operation, the Bank's Board of Directors approved and applied for a change of registration for Reviewing of Transferring to Commercial Bank on August 14, 2015, and the name of the bank will be changed to "O-Bank". The Financial Supervisory Commission accepted the application on December 15, 2016, and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. The Bank was approved to operate related a commercial banking business by the Banking Bureau starting from January 1, 2017 and simultaneously given an operating license. The Bank's name changed from "Industrial Bank of Taiwan" to "O-Bank Commercial Bank Corp. Ltd." as of January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank debentures; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issue letters of credit at home and abroad; (f) receipts and payments by agents; (g) investing in and underwriting the offering of securities; (h) dealing in government bonds; (i) factoring; (j) providing financial advisor business for financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) deal with the credit card business; (n) providing foreign exchange for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulation; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2017, the Bank had eight main departments - corporate banking, equity investment, securities trading, treasury, merchant banking, business finance, consumer finance and digital finance. It also had five domestic branches, a Hong Kong branch, and a representative office in Tianjin.

The Bank's shares have been listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") since August 2004. The board passed a resolution to apply the stock listing on Taiwan Stock Exchange ("TWSE") on April 19, 2016. It was approved by the Taiwan Stock Exchange ("TWSE") on November 28, 2016 and change from TPEx into TWSE on May 5, 2017.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

As of December 31, 2017 and 2016, the numbers of employees of the Company were 1,464 and 1,322, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors and authorized for issue on March 28, 2018.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the Board of Directors or president serves as the chairman of the Board of Directors or the president of the Group, or is the spouse or second immediate family of the chairman of the Board of Directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party. When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 45 for the related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018 (Note 3)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

• IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- 1) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- 2) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Bank may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- 1) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss or designated as at fair value through other comprehensive income. If it's designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- 2) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.
- 3) Debt investments classified as available-for-sale will be classified as at fair value through other comprehensive income under IFRS 9, because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.
- 4) Debt investments classified as held-to-maturity financial assets and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Bank has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group selects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through profit or loss	\$ 154,136,983	\$ 223,656	\$ 154,360,639
Financial assets at fair value through other comprehensive income	-	150,269,966	150,269,966
Receivables, net	21,202,093	(226,085)	20,976,008
Discount and loans, net	180,086,186	(157,897)	179,928,289
Available-for-sale financial assets - current	149,145,722	(149,145,722)	-
Held-to-maturity financial assets	499,821	(499,821)	-
Other financial assets, net	1,183,491	(1,173,341)	10,150
Financial assets measured at amortised cost - current	-	499,821	499,821
Deferred tax assets	582,334	80,305	662,639
Total effect on assets	<u>\$ 506,836,630</u>	<u>\$ (129,118)</u>	<u>\$ 506,707,512</u>
Provisions	<u>\$ 1,874,368</u>	<u>\$ 80,966</u>	<u>\$ 1,955,334</u>
Total effect on liabilities	<u>\$ 1,874,368</u>	<u>\$ 80,966</u>	<u>\$ 1,955,334</u>
Unappropriated earnings	\$ 1,014,567	\$ (208,457)	\$ 806,110
Equity instruments assessed at fair value through other comprehensive profit or loss	-	(229,440)	(229,440)
Gain and loss of debt instruments measured at fair value through other comprehensive profit or loss	-	373,552	373,552
Unrealized gains and loss on available-for-sale	236,666	(236,666)	-
Non-controlling interests	16,892,050	90,927	16,982,977
Total effect on equity	<u>\$ 18,143,283</u>	<u>\$ (210,084)</u>	<u>\$ 17,933,199</u>

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Bank may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Bank should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Bank should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Bank should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Bank shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, and IFRSs as endorsed and issue into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the consolidation financial statements of the Company were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 49 for the maturity analysis of assets and liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e. its subsidiaries, including special purpose entities). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Non-controlling interests shall be presented in the consolidated balance sheets within equity, separately from the equity of the owners of the Company.

Refer to Note 16 and Table 5 following the Notes to Consolidated Financial Statements for the list, main business activities and ownership percentages of subsidiaries.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Investment in Associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- a) It has been acquired principally for the purpose of selling it in the near future; or
- b) On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and whose performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- c) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity other than those that the entity, upon initial recognition, designates as at fair value through profit or loss or designates as available for sale or meet the definition of loans and receivables. Foreign corporate bonds and debenture bonds, which are above specific credit ratings and which the Company has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Foreign corporate and bank debentures that the Company has positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets measured at fair value, changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method, and dividends on available-for-sale equity investments are all recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss that was previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans, trade receivables, cash and cash equivalent and overdue receivables) are measured at amortized cost using the effective interest method less any impairment. However, in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms and Regulations Governing the Preparation of Financial Reports by Securities Issuers, the effect of discounting can't be the amount of the original measure.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as loans and receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Assessment for impairment of discounts, loans and receivables, other receivables and overdue loans of the Company is described in this note under the section heading "Allowance for Credit Losses and Reserve for Losses on Guarantees".

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

When there is objective evidence that financial assets carried at cost when an impairment loss has occurred, the amount of the loss is recognized under the heading of impairment losses on assets. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by its impairment loss directly for all financial assets with the exception of loan and receivables, where the carrying amount is reduced through the use of an allowance account. When loans and receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of a bad debt are recognized in profit or loss.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On the derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by the Company entity are classified as either financial liabilities or as equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method less any impairment (refer above to the subsection within this note entitled “Held-to-maturity investments” for the definition of effective interest method):

- Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- a) It has been acquired principally for the purpose of repurchasing it in the near future; or
- b) On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of the Company of financial assets or financial liabilities or both, which is managed and whose performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- c) In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. The fair value is determined in the manner described in Note 49.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date that a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the contracts are not measured at fair value through profit or loss.

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt issued by the competent authority, loans and other credits (including accrued interests) that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board of Directors.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Allowance for Credit Losses and Reserve for Losses on Guarantees

Loans and receivables are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Account receivables becoming overdue; or
- It becoming probable that the debtor will enter bankruptcy or financial re-organization.

Loans and receivables that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Company's past experience in the collection of payments, an increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of its estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the loans and receivables' original effective interest rate.

The carrying amount of loans and receivables is reduced through the use of an allowance account. When loans and receivables are considered uncollectable, they are written off against the allowance account. Recoveries of amounts previously written off are credited to a bad debts account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

According to the policies mentioned above, the classification of loan assets is divided into the following categories: Normal credits, credits under observation, credits that are likely to be received in full, credits that will be difficult to receive in full, and credits that will not be received in full. The minimum allowance for credit losses and the reserve for losses on guarantees for the aforementioned classes should be 1%, 2%, 10%, 50% and 100% of outstanding credits, respectively. Rule No. 10300329440 issued by the FSC, stipulates that the minimum allowance for mortgage and improvement loans should be 1.5% as of the end of 2016.

Credits deemed uncollectable are eligible to be written off upon approval by the Board of Directors.

Repurchase and Resale Transactions

Securities purchased under agreements to resell them and securities sold under agreements to repurchase them are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest income or interest expenses over the life of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from the derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is any indication that the unit may be impaired. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Company assets are allocated to the individual cash-generating units on a reasonable and consistent basis if the Company assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

Provisions Liabilities and Contingencies

Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services provided by the employee.

Payments to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement benefit plan are determined using the projected unit credit method. Service costs (including current service costs) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expenses in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

A net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (or tax refund receivable) is calculated based on the relevant tax laws in applicable jurisdictions.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Interest and Service Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection. Dues from storm and billing agreements that extend interest income, in accordance with the provisions of the Ministry of Finance, are recognized upon collection as interest income.

Revenue from brokering is recognized when the earnings process has been completed.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

b.The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rent arising under operating leases is recognized as an expense in the period in which it is incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future reporting period and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Income tax

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

b. Estimated impairment of loans and receivables

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Assessment of reserve for guarantee liabilities

Unless otherwise prescribed by the Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt, when deciding whether to assess the adequacy of the reserve of guarantee liabilities, the Company focuses on if the reserve for guarantee liabilities is likely to be necessary and if there will be any possible cash inflow that may arise from the resulting guarantee obligation. Evidence for making such judgments include observable data indicating adverse movement in payment statuses of debtors or industry news relevant to back payments. The Company periodically reviews judgment factors and assumptions in order to reduce the difference between the estimated loss and the actual loss.

d. Fair value of derivatives and other financial instruments

As described in Note 49, the Company's management uses its judgment when selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. Other financial instruments were valued using a discounted cash flow analysis that includes assumptions based on quoted market prices or rates (if available). The Company's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

The management of the Company considered the valuation techniques used in measuring the fair value of financial instruments to be proper.

e. Recognition and measurement of defined benefit plan

Net defined benefit liabilities and the resulting defined benefit costs under the defined benefit pension plan are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

f. Control over subsidiaries

Note 16 describes that Company CBF is a subsidiary of the Company although the Company only owns less than 50% of an ownership interest in CBF. After considering the Company's absolute size of holding in Company CBF and the relative size of and dispersion of the shareholdings owned by the other stockholders, the management concluded that the Company has a sufficiently dominant voting interest to direct the relevant activities of Company CBF; and therefore the Company has control over Company CBF.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand and petty cash	\$ 58,709	\$ 64,457
Checking for clearing	297,376	64,076
Due from banks	6,269,888	5,851,447
	<u>\$ 6,625,973</u>	<u>\$ 5,979,980</u>

Cash and cash equivalents as of December 31, 2017 and 2016 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of December 31, 2017 and 2016.

Refer to Note 46 for information relating to due from banks pledged.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2017	2016
Call loans	\$ 5,297,588	\$ 13,105,600
Reserves for deposits - Type A	2,431,670	644,825
Reserves for deposits - Type B	3,567,242	3,144,342
Others	209,956	232,210
	<u>\$ 11,506,456</u>	<u>\$ 17,126,977</u>

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
<u>Financial assets designated as at fair value through profit or loss</u>		
Convertible bond - domestic	\$ 7,015,753	\$ 11,430,381
Convertible bond - overseas	423,447	587,790
Structural debt	590,880	-
	<u>8,030,080</u>	<u>12,018,171</u>
<u>Financial assets held for trading</u>		
Derivative financial instruments		
Foreign exchange swap contracts	483,678	835,539
Forward contracts	23,273	452,318
Interest rate swap contracts	35,278	44,370
Foreign option contract	-	1,107,731
Cross-currency swap contract	-	4,211
Assets swap contracts	153,396	211,644
	<u>695,625</u>	<u>2,655,813</u>

(Continued)

	December 31	
	2017	2016
Non-derivative financial assets		
Short-term instruments	\$ 102,246,486	\$ 96,648,408
Negotiable certificate of deposit	42,102,749	35,342,797
Stocks and beneficiary certificates	597,071	539,779
Government bonds	-	403,514
Corporate bonds	15,369	113,803
When-issued bonds	449,603	-
	<u>145,411,278</u>	<u>133,048,301</u>
	<u>\$ 154,136,983</u>	<u>\$ 147,722,285</u>

Financial liabilities designated as at fair value through profit or loss

Financial liabilities held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	\$ 539,449	\$ 828,650
Forward contracts	108,647	303,580
Interest rate swap contracts	134,299	107,498
Cross-currency swap contract	-	4,206
Foreign option contract	-	1,133,328
Others	1,378	538
	<u>783,773</u>	<u>2,377,800</u>
Non-derivative financial liabilities		
Commercial paper contracts	<u>7,245</u>	<u>72</u>
	<u>\$ 791,018</u>	<u>\$ 2,377,872</u>

(Concluded)

The Company engages in derivative transactions, including forward contracts, currency swap contracts and foreign currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Company's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2017 and 2016 were follows:

	December 31	
	2017	2016
Interest rate swap contracts	\$ 20,368,572	\$ 27,010,479
Foreign exchange swap contracts	100,298,853	81,045,393
Forward contracts	3,242,398	18,964,853
Assets swap contracts	6,905	10,635,900
Cross-currency swap contracts	-	512,179
Foreign currency options		
Call	-	12,847,023
Put	-	12,750,168
Purchase commitments	500,000	1,500,000

As of December 31, 2017 and 2016, financial instruments at fair value through profit and loss in the amount of \$74,676,800 thousand and \$71,967,603 thousand were under agreement to repurchase.

Refer to Note 46 for information relating to financial instruments at fair value through profit or loss pledged as security.

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Company purchased under resale agreements and bond investments are all government bonds. As of December 31, 2017 and 2016, bonds purchased were under agreements to resell in the amount of \$5,684,543 thousand and \$200,186 thousand, respectively. As of December 31, 2017 and 2016, bonds purchased under agreements to resell were sold under agreement to repurchase in the amount of \$5,680,000 thousand and \$200,000 thousand, respectively.

10. RECEIVABLES, NET

	December 31	
	2017	2016
Lease payment receivable	\$ 12,765,418	\$ 11,439,007
Interest receivable	1,869,330	1,784,083
Factoring	4,592,967	3,514,421
Acceptances	248,592	371,860
Investment receivable - execution of customer orders	-	170,000
Account receivable	2,300,258	2,448,221
Others	921,940	581,983
	<u>22,698,505</u>	<u>20,309,575</u>
Less: Allowance for possible losses	645,358	517,921
Unrealized interest revenue	<u>851,054</u>	<u>745,246</u>
Receivables, net	<u>\$ 21,202,093</u>	<u>\$ 19,046,408</u>

Rental equipment is held as collateral for the lease payment receivables. The Company is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

Please refer to Note 50 for impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2017	2016
Short-term	\$ 63,392,465	\$ 54,962,273
Medium-term	110,257,040	106,555,849
Long-term	8,169,281	2,944,894
Export bill negotiated	175,106	293,826
Accounts receivables financing	358,704	211,556
Overdue loans	415,442	28,323
	<u>182,768,038</u>	<u>164,996,721</u>
Less: Allowance for credit losses	<u>2,681,852</u>	<u>2,452,080</u>
	<u>\$ 180,086,186</u>	<u>\$ 162,544,641</u>

As of December 31, 2017 and 2016, the unrecognized interest revenue on the above loans amounted to \$5,716 thousand and \$635 thousand for the years ended December 31, 2017 and 2016. For the years ended December 31, 2017 and 2016, the Bank wrote off credits only upon completing the required legal procedures.

Refer to Note 46 for information relating to discounts and loan assets pledged as security, and refer to Note 50 for the impairment loss analysis of discounts and loans.

12.ALLOWANCE FOR CREDIT LOSSES

The movements of allowance for credit losses and reserve for losses on guarantees liabilities for the years ended December 31, 2017 and 2016 are summarized as follows:

	For the Year Ended December 31, 2017			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2017	\$ 517,921	\$ 2,452,080	\$ 1,511,876	\$ 4,481,877
Allowance for bad debts (Note)	403,316	498,996	60,630	962,942
Write-offs	(267,756)	(182,694)	-	(450,450)
Effects of exchange rate changes	(8,123)	(86,530)	(2,955)	(97,608)
Balance at December 31, 2017	<u>\$ 645,358</u>	<u>\$ 2,681,852</u>	<u>\$ 1,569,551</u>	<u>\$ 4,896,761</u>

	For the Year Ended December 31, 2016			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2016	\$ 403,591	\$ 2,480,290	\$ 1,484,195	\$ 4,368,076
Allowance for bad debts (Note)	557,148	389,832	28,700	975,680
Write-offs	(418,950)	(394,125)	-	(813,075)
Effects of exchange rate changes	(23,868)	(23,917)	(1,019)	(48,804)
Balance at December 31, 2016	<u>\$ 517,921</u>	<u>\$ 2,452,080</u>	<u>\$ 1,511,876</u>	<u>\$ 4,481,877</u>

Note: Allowance for bad debts does not include the recovery from written-off credits. As of December 31, 2017 and 2016, recovery from written-off credits amounted to \$68,692 thousand and \$366,043 thousand, respectively.

13.AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic government bonds	\$ 49,286,274	\$ 41,607,637
Bank debentures	34,465,318	29,972,672
Corporate bonds	58,516,809	49,713,879
Stock and beneficiary securities	3,655,311	1,201,277
Overseas government bonds	988,259	1,138,676
American mortgage backed securities	2,233,751	3,347,424
	<u>\$ 149,145,722</u>	<u>\$ 126,981,565</u>

As of December 31, 2017 and 2016, available-for-sale financial assets are sold under agreement to repurchase in the amount of \$104,407,677 thousand and \$84,608,033 thousand, respectively.

Refer to Note 46 for information relating to available-for-sale financial assets pledged as security.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic investments		
Government bonds	\$ 499,821	\$ 499,703
Negotiable certificate of deposit	-	5,045,000
	<u>\$ 499,821</u>	<u>\$ 5,544,703</u>

The information on overseas bank debentures, government bond and negotiable certificate of deposit was as follows:

December 31, 2017

Investment Principal (In Thousands of New Taiwan Dollars)	Interest Rate	Effective Interest Rate	Average Maturity Date
Government bond	<u>\$ 500,000</u>	1.125%	1.114%
			1.5 years

December 31, 2016

Investment Principal (In Thousands of New Taiwan Dollars)	Interest Rate	Effective Interest Rate	Average Maturity Date
Government bond	<u>\$ 500,000</u>	1.125%	1.354%
			2.5 years
Negotiable certificate of deposit	<u>\$ 5,045,000</u>	0.700%-0.800%	0.700%-0.800%
			0.1 years

Refer to Note 46 for information relating to held-to-maturity financial assets pledged as security.

15. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the former IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016. Total price of transfer was \$390,000 thousand, and set the business transfer date on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 approved in the board of director's meeting on October 17, 2016.

In December 31, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the operating department above as discontinued operations.

The details and cash flows information of discontinued operations are exhibited below:

	2017	2016
Interest revenues	\$ 7,580	\$ 54,014
Interest expenses	(7)	(2,726)
Net interest	7,573	51,288
Net revenues other than interest		
Commissions and fee revenues, net	145	94,073
Gain on financial assets and liabilities at fair value through profit or loss	(14,370)	(4,062)
Foreign exchange gain (loss), net	(11,126)	(7,867)
Impairment loss	(23,751)	-
Investment income recognized under equity method	1,009	1,838
Realized income from financial assets carried at cost	-	5,146
Other non-interest net gains	22,816	416,070
Net revenues other than interest	(25,277)	505,198
Total net revenues	(17,704)	556,486
Operating expenses		
Personnel expenses	12,655	291,185
Depreciation and amortization	1,278	15,134
Others	13,332	142,250
Total operating expenses	27,265	448,569
Income tax expense	4,895	25,018
Net profit/(loss) from discontinued operations before written off	(49,864)	82,899
Written-offs of the transactions with related parties	(3,122)	10,057
Net profit/(loss) from discontinued operations	\$ (52,986)	\$ 92,956
Net profit/(loss) of discontinued operations attributable to:		
Owners of the Bank	\$ (52,853)	\$ 103,206
Non-controlling interests	(133)	(10,250)
	\$ (52,986)	\$ 92,956
Net cash generated from operating activities	\$ 123,994	\$ 2,277,742
Net cash generated from investing activities	877	521,273
Net cash generated from financing activities	-	(3,517,412)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(10,645)	(6,838)
Net increase (decrease) in cash and cash equivalents	\$ 114,226	\$ (725,235)

16.SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership		Remark
			December 31		
			2017	2016	
The Bank	Chun Teng New Century Co., Ltd(former IBTS)	Investment (former Security Firm)	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016. Still recognized by equity method)
	IBTM	Investment consulting	100.00	100.00	Founded in 2000
	IBTH	Holding company	100.00	100.00	Founded in 2006 in California
	CBF	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011
Chun Teng New Century Co., Ltd (former IBTS)	IBTS Consulting	Securities investment consulting and customer-fully-authorized investment	-	100.00	Founded in 1998(liquidated on August 16, 2017)
	IBTSH	Holding company	100.00	100.00	Founded in 2003 in British Virgin Islands
IBTSH	IBTS HK	Investment	100.00	100.00	Founded in 2003 in Hong Kong
	IBTS Asia	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong
IBTH	EverTrust Bank	Banking	91.78	91.78	Founded in 1995 in California
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in Mainland China
	IBT Tianjin International Leasing Corp.	Leasing	100.00	100.00	Founded in 2013 in Mainland China (commonly held with IBT VII)
	IBT VII Venture Capital Co., Ltd	Venture capital	100.00	100.00	Founded in 2014

Temporary shareholders' meeting of the Bank decide to change the subsidiary of the Bank's name from IBTS to Chun Teng New Century Co., Ltd. The subsidiary ended the securities business on September 23, 2016 and was liquidated on November 11, 2016 as decided by the subsidiaries' Board of Directors on October 17, 2016. Accordingly, it allocated its property at first at \$7 per share on December 26, 2016. The Bank recalled \$2,227,964 thousand in the proportion of shares-holding.

The Board of Directors decided to sell a subsidiary VC7 to a subsidiary IBTL, a total of 65 million shares, the selling price of \$9.89 per share, totaling \$643 million. It belongs to the organization reform; therefore, it cannot recognize gains and losses.

b.Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2017	2016
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	December 31	
	2017	2016
CBF		
Equity attributable to:		
Owners	\$ 6,531,896	\$ 6,365,124
Non-controlling interests	16,493,036	16,071,934
	<u>\$ 23,024,932</u>	<u>\$ 22,437,058</u>
For the Year Ended December 31		
	2017	2016
Revenue	<u>\$ 1,021,669</u>	<u>\$ 531,102</u>
Net profit from continuing operations	\$ 1,351,064	\$ 1,633,518
Other comprehensive income for the period	<u>364,896</u>	<u>(467,140)</u>
Total comprehensive income for the period	<u>\$ 1,715,960</u>	<u>\$ 1,166,378</u>
Profit attributable to:		
Owners	\$ 383,281	\$ 463,409
Non-controlling interests of CBF	<u>967,783</u>	<u>1,170,109</u>
	<u>\$ 1,351,064</u>	<u>\$ 1,633,518</u>
Total comprehensive income attributable to:		
Owners	\$ 486,797	\$ 330,887
Non-controlling interests of CBF	<u>1,229,163</u>	<u>835,491</u>
	<u>\$ 1,715,960</u>	<u>\$ 1,166,378</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (1,955,034)	\$ (3,977,760)
Investing activities	(1,781,899)	(156,981)
Financing activities	<u>2,686,844</u>	<u>5,198,133</u>
Net cash inflow	<u>\$ (1,050,089)</u>	<u>\$ 1,063,392</u>
Dividends paid to non-controlling interest		
CBF	<u>\$ 808,062</u>	<u>\$ 798,442</u>

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31			
	2017		2016	
	Amount	%	Amount	%
IBT II Venture Capital Co., Ltd.	\$ -	39.58	\$ 107,981	39.58

IBT II Venture Capital Co., Ltd. reduced 13,900 thousand shares of common stock, with a par value of \$10, on April 18, 2016, in the way of reducing cash capital to return share dividends approved by the stockholders' meeting. The Bank recalled \$55,021 thousand in the proportion of shares-holding, and started to dissolve and liquidation on March 31, 2017.

	For the Year Ended December 31	
	2017	2016
Investment income recognized under equity method	\$ 3,782	\$ 6,891
Gain on disposal of investments using equity method	11,839	343
	<u>\$ 15,621</u>	<u>\$ 7,234</u>
The Company's share of:		
Profit from continuing operations	\$ 4,791	\$ 8,729
Other comprehensive income	6,892	(16,369)
	<u>\$ 11,683</u>	<u>\$ (7,640)</u>

Investments accounted for using equity method and share of the other comprehensive income of associates and joint ventures are calculated according to the report reviewed by the accountants.

18. RESTRICTED ASSETS

	December 31	
	2017	2016
Pledged time deposits	\$ 97,955	\$ 38,134
Compensation accounts	1,988	110,080
	<u>\$ 99,943</u>	<u>\$ 148,214</u>

The assets are collaterals of loans and commercial paper issued and collateral of claims for provisional seizure.

19. OTHER FINANCIAL ASSETS, NET

	December 31	
	2017	2016
Financial assets measured at cost		
Domestic stocks	\$ 513,720	\$ 817,953
Foreign stocks	659,621	695,202
	1,173,341	1,513,155
Time deposits with original maturity more than 3 months	10,150	7,748
Others	-	28
	<u>\$ 1,183,491</u>	<u>\$ 1,520,931</u>

Because the fair value of financial assets measured at cost could not be reliably measured, the Company did not evaluate the fair value on the balance sheet date. The Company disposed of certain financial assets measured at cost with carrying amounts of \$84,794 thousand and \$217,600 thousand during the years ended December 31, 2017 and 2016, respectively, recognizing disposal loss of \$2,403 thousand and disposal loss of \$67,034 thousand, respectively.

20. PROPERTY AND EQUIPMENT, NET

	December 31	
	2017	2016
<u>Carrying amounts of each class of</u>		
Land	\$ 800,184	\$ 822,716
Buildings	1,438,531	1,454,011
Machinery and computer equipment	375,739	211,091
Transportation equipment	35,326	37,250
Office and other equipment	77,793	62,511
Lease improvement	216,467	157,203
Construction in progress and prepayments for equipment	140,912	1,026,389
	<u>\$ 3,084,952</u>	<u>\$ 3,771,171</u>

The movements of property and equipment for the years ended December 31, 2017 and 2016 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2017	\$ 848,222	\$ 1,912,301	\$ 576,009	\$ 92,841	\$ 214,116	\$ 258,188	\$ 1,026,389	\$ 4,928,066
Additions	-	7,920	26,935	20,704	10,759	40,880	390,442	497,640
Disposals and scrapped	-	-	(66,470)	(23,310)	(6,063)	(2,843)	-	(98,686)
Reclassification	-	24,690	198,609	-	26,033	64,034	(1,274,729)	(961,363)
Effect of foreign currency exchange differences	-	-	(3,021)	(7,829)	(3,350)	(2,192)	(1,190)	(17,582)
Balance at December 31, 2017	<u>\$ 848,222</u>	<u>\$ 1,944,911</u>	<u>\$ 732,062</u>	<u>\$ 82,406</u>	<u>\$ 241,495</u>	<u>\$ 358,067</u>	<u>\$ 140,912</u>	<u>\$ 4,348,075</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2017	\$ 25,506	\$ 458,290	\$ 364,918	\$ 55,591	\$ 151,605	\$ 100,985	\$ -	\$ 1,156,895
Depreciation expense	-	46,871	61,648	12,080	18,799	39,944	-	179,342
Disposals	-	-	(66,281)	(20,139)	(5,819)	(2,167)	-	(94,406)
Effect of foreign currency exchange differences	-	-	(3,962)	(452)	(883)	2,838	-	(2,459)
Impairment loss	22,532	1,219	-	-	-	-	-	23,751
Balance at December 31, 2017	<u>\$ 48,038</u>	<u>\$ 506,380</u>	<u>\$ 356,323</u>	<u>\$ 47,080</u>	<u>\$ 163,702</u>	<u>\$ 141,600</u>	<u>\$ -</u>	<u>\$ 1,263,123</u>
<u>Carrying amounts</u>								
Balance at December 31, 2017	<u>\$ 800,184</u>	<u>\$ 1,438,531</u>	<u>\$ 375,739</u>	<u>\$ 35,326</u>	<u>\$ 77,793</u>	<u>\$ 216,467</u>	<u>\$ 140,912</u>	<u>\$ 3,084,952</u>
<u>Cost</u>								
Balance at January 1, 2016	\$ 833,107	\$ 1,911,120	\$ 583,962	\$ 100,325	\$ 222,981	\$ 299,921	\$ 255,635	\$ 4,207,051
Additions	-	620	59,690	5,886	19,668	30,235	968,483	1,084,582
Disposals and scrapped	-	(9,847)	(94,118)	(12,466)	(32,230)	(80,622)	(2,152)	(231,435)
Reclassification	15,115	10,408	30,848	-	4,895	13,509	(195,503)	(120,728)
Effect of foreign currency exchange differences	-	-	(4,373)	(904)	(1,198)	(4,855)	(74)	(11,404)
Balance at December 31, 2016	<u>\$ 848,222</u>	<u>\$ 1,912,301</u>	<u>\$ 576,009</u>	<u>\$ 92,841</u>	<u>\$ 214,116</u>	<u>\$ 258,188</u>	<u>\$ 1,026,389</u>	<u>\$ 4,928,066</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2016	\$ 13,868	\$ 409,753	\$ 403,289	\$ 50,668	\$ 170,111	\$ 142,112	\$ -	\$ 1,189,801
Depreciation expense	-	45,987	49,863	14,677	13,031	36,297	-	159,855
Disposals	-	(3,273)	(85,041)	(9,437)	(30,716)	(74,935)	-	(203,402)
Reclassification	11,638	5,823	-	-	-	-	-	17,461
Effect of foreign currency exchange differences	-	-	(3,193)	(317)	(821)	(2,489)	-	(6,820)
Balance at December 31, 2016	<u>\$ 25,506</u>	<u>\$ 458,290</u>	<u>\$ 364,918</u>	<u>\$ 55,591</u>	<u>\$ 151,605</u>	<u>\$ 100,985</u>	<u>\$ -</u>	<u>\$ 1,156,895</u>
<u>Carrying amounts</u>								
Balance at December 31, 2016	<u>\$ 822,716</u>	<u>\$ 1,454,011</u>	<u>\$ 211,091</u>	<u>\$ 37,250</u>	<u>\$ 62,511</u>	<u>\$ 157,203</u>	<u>\$ 1,026,389</u>	<u>\$ 3,771,171</u>

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5-60 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-8 years
Lease improvement	3-8 years

21. INVESTMENT REAL - ESTATE

	December 31, 2016
Lease assets	\$ -
	For the Year Ended December 31, 2016
Cost	
Balance at January 1	\$ 25,523
Reclassification	(25,523)
Balance at December 31	\$ -
Accumulated depreciation	
Balance at January 1	\$ 17,366
Reclassification	95
Depreciation expense	(17,461)
Balance at December 31	\$ -

The Company transferred the leasing land and building from investment properties to real estate for private use in July 2016 due to the expiration of the lease, referring to property and equipment (Note 20).

The investment real estates are depreciated on a straight-line basis over 60 years.

22. INTANGIBLE ASSETS

	December 31	
	2017	2016
<u>Book value</u>		
Computer software	\$ 1,262,856	\$ 266,446
Goodwill	1,133,222	1,224,683
Others	7,289	7,882
	<u>\$ 2,403,367</u>	<u>\$ 1,499,011</u>

The movements of intangible assets for the years ended December 31, 2017 and 2016 are summarized as follows:

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2017	\$ 756,267	\$ 1,224,683	\$ 7,882	\$ 1,988,832
Additions	184,682	-	-	184,682
Reclassification	948,671	-	-	948,671
Effect of foreign currency exchange differences	(4,519)	(91,461)	(593)	(96,573)
Balance at December 31, 2017	<u>\$ 1,885,101</u>	<u>\$ 1,133,222</u>	<u>\$ 7,289</u>	<u>\$ 3,025,612</u>
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2017	\$ 489,821	\$ -	\$ -	\$ 489,821
Amortization	135,700	-	-	135,700
Effect of foreign currency exchange differences	(3,276)	-	-	(3,276)
Balance at December 31, 2017	<u>\$ 622,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,245</u>
<u>Carrying amounts</u>				
Balance at December 31, 2017	<u>\$ 1,262,856</u>	<u>\$ 1,133,222</u>	<u>\$ 7,289</u>	<u>\$ 2,403,367</u>
<u>Cost</u>				
Balance at January 1, 2016	\$ 581,647	\$ 1,254,078	\$ 95,555	\$ 1,931,280
Additions	195,196	-	-	195,196
Disposals	(19,888)	-	(87,482)	(107,370)
Reclassification	1,724	-	-	1,724
Effect of foreign currency exchange differences	(2,412)	(29,395)	(191)	(31,998)
Balance at December 31, 2016	<u>\$ 756,267</u>	<u>\$ 1,224,683</u>	<u>\$ 7,882</u>	<u>\$ 1,988,832</u>
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2016	\$ 438,149	\$ -	\$ 84,358	\$ 522,507
Amortization	52,936	-	3,053	55,989
Disposals	(145)	-	(85,416)	(85,561)
Effect of foreign currency exchange differences	(1,119)	-	(1,995)	(3,114)
Balance at December 31, 2016	<u>\$ 489,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,821</u>
<u>Carrying amounts</u>				
Balance at December 31, 2016	<u>\$ 266,446</u>	<u>\$ 1,224,683</u>	<u>\$ 7,882</u>	<u>\$ 1,499,011</u>

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% share of Ever Trust Bank on March 30, 2007.

The group based on EverTrust Bank of one cash-generating unit when implementing goodwill impairment tests, and evaluate recoverable amount by the value in use. The key assumptions base the expected future cash flows on actual profit condition of cash-generating units. On the assumption of sustainable operating, we discount net cash flows from the operation of cash-generating units in the next five years to calculate the value in use. Under the estimation of the group, there is no occurrence of impairment.

The intangible assets - others are amortized on a straight-line basis over 15 years.

23. OTHER ASSETS

	December 31	
	2017	2016
Refundable deposits	\$ 3,284,633	\$ 2,962,241
Life insurance cash surrender value	331,481	384,038
Settlement payments	-	89,689
Prepayment	83,191	82,136
Others	331,169	406,842
	<u>\$ 4,030,474</u>	<u>\$ 3,924,946</u>

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2017	2016
Due to other banks	\$ 50,644,279	\$ 55,083,687
Call loans from Central Bank	2,388,360	1,614,244
	<u>\$ 53,032,639</u>	<u>\$ 56,697,931</u>

25. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2017	2016
Transactions instruments	\$ 73,913,268	\$ 161,213,032
Government bonds	44,006,703	1,150,147
Corporate bonds	52,474,842	-
Bank debentures	19,427,155	941,602
	<u>\$ 189,821,968</u>	<u>\$ 163,304,781</u>
Date of agreement to repurchase	August 2018	August 2017
Amount of agreement to repurchase	\$ 189,938,375	\$ 163,383,830

26. PAYABLES

	December 31	
	2017	2016
Settlement accounts payable - execution of customer orders	\$ 84,006	\$ 89,677
Acceptances	248,591	371,860
Accrued interest	617,723	445,485
Accrued expenses	906,054	797,114
Collections for others	151,750	151,524
Factoring	1,726,584	1,152,783
Checks for clearing	297,345	64,076
Payable on securities sales and bonds sales	579,579	402,602
Others	411,049	278,022
	<u>\$ 5,022,681</u>	<u>\$ 3,753,143</u>

27. DEPOSITS AND REMITTANCES

	December 31	
	2017	2016
Deposits		
Checking	\$ 2,990,647	\$ 2,319,109
Demand	29,434,943	34,345,984
Time	161,489,043	147,922,360
Remittances	11,261	158
Saving deposit	4,360,806	-
	<u>\$ 198,286,700</u>	<u>\$ 184,587,611</u>

28. BANK DEBENTURES

	December 31	
	2017	2016
Subordinate debenture bonds issued in 2010; fixed 3.00% interest rate; maturity: April 12, 2017; interest paid annually and repay the principal at maturity	\$ -	\$ 800,000
Subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repay the principal at maturity	950,000	950,000
Subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repay the principal at maturity	3,350,000	3,350,000
Subordinate debenture bonds issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	1,650,000	1,650,000
Subordinate debenture bonds issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000

(Continued)

	December 31	
	2017	2016
Subordinate debenture bonds issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	\$ 1,300,000	\$ 1,300,000
Subordinate debenture bonds issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate debenture bonds issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	-
Subordinate debenture bonds issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	-
Subordinate debenture bonds issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	-
	<u>\$ 20,400,000</u>	<u>\$ 17,450,000</u>
		(Concluded)

29. OTHER FINANCIAL LIABILITIES

	December 31	
	2017	2016
Bank loans	\$ 13,040,538	\$ 11,382,997
Commercial paper	3,299,557	2,799,824
Funds obtained from the government - intended for specific types of loans	5,997,782	4,638,398
Principal received of the structural goods	-	10,423
	<u>\$ 22,337,877</u>	<u>\$ 18,831,642</u>

a. Bank loans

	December 31	
	2017	2016
Short-term loans	\$ 6,399,565	\$ 7,094,561
Long-term loans	6,640,973	4,288,436
	<u>\$ 13,040,538</u>	<u>\$ 11,382,997</u>
Interest rate interval		
New Taiwan dollars	1.21%-1.50%	1.20%-1.78%
U.S. dollars	0.98%-7.71%	0.69%-15.16%
Renminbi	3.60%-6.18%	4.79%-6.37%

b. Commercial paper

	December 31	
	2017	2016
Commercial paper	\$ 3,300,000	\$ 2,800,000
Less: Unamortized discount	(443)	(176)
	<u>\$ 3,299,557</u>	<u>\$ 2,799,824</u>
Interest rate interval	0.49%-1.24%	0.37%-1.35%

30. PROVISIONS

	December 31	
	2017	2016
Provisions for employee benefits	\$ 295,725	\$ 280,076
Reserve for losses on guarantees	1,569,551	1,511,876
Reserve for claims outstanding	9,092	9,092
	<u>\$ 1,874,368</u>	<u>\$ 1,801,044</u>

Reserve for claims outstanding are provisions recognized in the specific actual reconciliation condition from controversial cases due to sale of refundable forward transactions. By December 31, 2017, the reserve for claims outstanding was unpaid.

31. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

The Bank and domestic subsidiaries of the Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Company's subsidiary in ROC overseas are members of a state-managed retirement benefit plan operated by the government of overseas. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognized in profit or loss for the years ended December 31, 2017 and 2016 was \$54,946 thousand and \$43,800 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standard Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy. Because of secondment from the subsidiaries, the Bank received \$189 thousand and \$398 thousand, which recognized in deduction of retirement expense, for 2017 and 2016, respectively.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 574,324	\$ 549,227
Fair value of plan assets	(278,599)	(269,151)
Net defined benefit liability (asset)	\$ 295,725	\$ 280,076

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2016	\$ 597,934	\$ (341,124)	\$ 256,810
Service cost			
Current service cost	18,438	-	18,438
Net interest expense (income)	6,324	(4,082)	2,242
Recognized in profit or loss	24,762	(4,082)	20,680
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,535	1,535
Actuarial loss - changes in demographic assumptions	6,750	-	6,750

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Actuarial loss - changes in financial assumptions	\$ 14,962	\$ -	\$ 14,962
Actuarial loss - experience adjustments	(3,415)	-	(3,415)
Others	-	(69)	(69)
Recognized in other comprehensive income	18,297	1,466	19,763
Contributions from the employer	-	(6,118)	(6,118)
Contributions from plan participants	(26,889)	26,889	-
Benefits paid	(64,877)	53,818	(11,059)
Balance at December 31, 2016	<u>\$ 549,227</u>	<u>\$ (269,151)</u>	<u>\$ 280,076</u>
Balance at January 1, 2017	<u>\$ 549,227</u>	<u>\$ (269,151)</u>	<u>\$ 280,076</u>
Service cost			
Current service cost	18,950	-	18,950
Net interest expense (income)	5,389	(298)	5,091
Recognized in profit or loss	24,339	(298)	24,041
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,725)	(1,725)
Actuarial loss - changes in demographic assumptions	4,924	-	4,924
Actuarial loss - changes in financial assumptions	(4,099)	-	(4,099)
Actuarial loss - experience adjustments	4,662	-	4,662
Others	-	(295)	(295)
Recognized in other comprehensive income	5,487	(2,020)	3,467
Contributions from the employer	-	(9,478)	(9,478)
Contributions from plan participants	(2,348)	2,348	-
Benefits paid	(2,381)	-	(2,381)
Balance at December 31, 2017	<u>\$ 574,324</u>	<u>\$ (278,599)</u>	<u>\$ 295,725</u>

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rate(s)	1.125%	0.875%-1.25%
Expected rate(s) of salary increase	2.50%	2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2017
Discount rate(s)	
0.25% increase	\$ (11,461)
0.25% decrease	\$ 11,889
Expected rate(s) of salary increase	
0.25% increase	\$ 11,537
0.25% decrease	\$ (11,181)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	2016
The expected contributions to the plan for the next year	\$ 10,151	\$ 5,372
The average duration of the defined benefit obligation	10 years	10 years

32. OTHER LIABILITIES

	December 31	
	2017	2016
Guarantee deposits received	\$ 1,923,253	\$ 1,550,697
Advance revenue	108,800	110,579
Others	445,798	223,745
	<u>\$ 2,477,851</u>	<u>\$ 1,885,021</u>

33.EQUITY

a. Capital stock

Common stock

	December 31	
	2017	2016
Number of shares authorized (in thousands)	3,000,000	2,601,706
Capital stock authorized	\$ 30,000,000	\$ 26,017,060
Number of shares issued and fully paid (in thousands)	2,413,006	2,390,506
Shares issued	\$ 24,130,063	\$ 23,905,063

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The Bank is required to comply the future operating plan and the Rule of Initial Public Offerings. The board of directors on April 19, 2016 and the shareholders' meeting on June 3, 2016 decided to issue new share by cash increase 22,500 thousand shares, those shares have a par value of \$10, and sold at NT\$7 to NT\$9.3 per share. The total selling price was \$175,936 thousand. The difference debited to retained earnings was \$49,064 thousand. The share capital after the issuance was \$24,130,063 thousand. The base day was May 3, 2017. The Bank finished the registration on July 4, 2017.

The Bank kept the 10% of new shares for employee to purchase, and decided the share price and shares by March 2017. The Bank recognized the compensation cost by fair value method under the IAS 2 requirements.

b. Capital surplus

	December 31	
	2017	2016
Arising from treasury share transactions	\$ 3,193	\$ 3,193
Undistributed		
Employee stock option	4,537	-
	\$ 7,730	\$ 3,193

Treasury capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 3, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 39.

The Bank's Articles of Incorporation also stipulate a dividend policy that the issuance of a stock dividend takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of total dividends distributed. The distribution method is stipulated by standard, so the Bank may make adjustment approved by the stockholders' meeting when the Board of Directors asks for it.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's capital surplus. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Under the Company Law, legal reserve shall be appropriated until it has reached the Bank's capital surplus. This reserve may be used to offset deficit. When the Bank has no loss and the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016 a public issuing bank shall make a special surplus in the range of 0.5% to 1% of net profit after tax in 2016 to 2018. Since 2017, the staff of financial and technology development arising from the transfer or placement of the same amount of spending, since opened a special reserve balance within the scope of the rotary. When the deduction of other equity was reversed, the reversed part could be distributed in cash.

The appropriations of earnings for 2016 and 2015 had been approved in stockholders' meetings on June 14, 2017 and June 3, 2016, respectively. The appropriations and dividends per share were as follows:

	2016		2015	
	Appropriation of Earnings	Dividend Per Share (NT\$)	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 489,469		\$ 510,102	
Special reserve (reversed)	56,243		(5,014)	
Cash dividend - common stock	1,085,854	\$0.45	1,195,253	\$0.50

The appropriations of earnings for 2017 proposed in the stockholders' meetings on February 27, 2018 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 304,370	
Special reserve (reversed)	(13,705)	
Cash dividend - common stock	723,902	\$0.3

The appropriations of earnings will be approved in stockholders' meeting on June 14, 2018.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 190,990	\$ 406,040
Exchange differences arising on translating the financial statements of foreign operations	(467,600)	(233,155)
Income tax related to gains arising on translating the financial statements of foreign operations	60,344	18,105
Balance at December 31	<u>\$ (216,266)</u>	<u>\$ 190,990</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 93,725	\$ 624,576
Unrealized gain arising on revaluation of available-for-sale financial assets	480,097	(244,864)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(344,048)	(272,516)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	-	2,898
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	6,892	(16,369)
Balance at December 31	<u>\$ 236,666</u>	<u>\$ 93,725</u>

e. Non-controlling interests

	2017	2016
Balance at January 1	\$ 16,482,451	\$ 16,603,157
Attribute to non-controlling interests		
Share of profit for the year	986,821	1,191,101
Exchange differences arising on translation of foreign entities	(31,202)	(10,267)
Unrealized gains and losses on available-for-sale financial assets	258,168	(326,497)
Actuarial gains (loss) on defined benefit plans	3,874	(10,873)
Subsidiaries dividends paid	(808,062)	(798,442)
Subsidiaries refund capital	-	(5,653)
Disposal of subsidiaries	-	(160,075)
Ending balance	<u>\$ 16,892,050</u>	<u>\$ 16,482,451</u>

f. Treasury stock

On June 26, 2013, the Bank's Board of Directors resolved to buy-back outstanding shares at \$5.5-\$8 per share from emerging market in order to transfer the shares to employees. The Bank bought back 7,774 thousand shares in the amount of \$50,620 thousand. The Bank had transferred 2,869 thousand shares to employees in February 2016. In accordance with IFRS 2 "Share based payment", the Bank recognized employee benefits expense in the amount of \$1,492 thousand and capital surplus - stock options in the amount of \$1,420 thousand (including related taxes) on grant day, and recognized capital surplus - treasury stock transactions on the settlement day. Under the Securities and Exchange Act, the Bank shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

Variation of treasury stock is as follows:

Reasons for Buying Back Treasury Stock	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2016	2,869
Decrease during the year	2,869
Number of shares at December 31, 2016	-

34.NET INTEREST

	For the Year Ended December 31	
	2017	2016
<u>Interest revenue</u>		
Discounts and loans	\$ 4,470,228	\$ 3,961,651
Due from the Central Bank and call loans to banks	89,676	102,636
Investment in marketable securities	2,394,793	1,727,071
Installment sales and lease	1,086,683	806,308
Others	134,883	276,778
	8,176,263	6,874,444
<u>Interest expense</u>		
Deposits	1,492,364	1,097,825
Due to the central bank and banks	524,579	312,663
Bank debentures	353,864	348,216
Securities sold under agreement to repurchase	757,332	619,880
Debit loans	441,861	337,363
Others	14,088	7,060
	3,584,088	2,723,007
	\$ 4,592,175	\$ 4,151,437

35.COMMISSION AND FEE REVENUES, NET

		For the Year Ended December 31	
		2017	2016
Commission and fee revenue			
Guarantee business	\$	634,232	\$ 610,454
Loan business		244,292	414,924
Agency income		276,127	339,258
Trust business		7,556	6,757
Lease business		257,448	193,454
Credit examine business		339,722	295,388
Import and export business		32,889	38,227
Factoring business		56,650	54,729
Others		107,820	114,514
		<u>1,956,736</u>	<u>2,067,705</u>
Commission and fee expense			
Others		96,601	48,435
		<u>96,601</u>	<u>48,435</u>
	\$	<u>1,860,135</u>	\$ <u>2,019,270</u>

36.GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT LOSS

		For the Year Ended December 31	
		2017	2016
Realized gain profit or loss			
Bills	\$	129,755	\$ 152,110
Stocks		158,000	(11,932)
Bonds		(2,680)	37,367
Derivatives		(688,351)	(20,667)
Others		(13,457)	(23,957)
		<u>(416,733)</u>	<u>132,921</u>
Gains (losses) on valuation			
Bills		(31,674)	(6,746)
Stocks		22,304	(30,256)
Bonds		(5,341)	(892)
Derivatives		(251,648)	427,784
Others		(18,160)	(68,768)
		<u>(284,519)</u>	<u>321,122</u>
Interest revenue		<u>335,043</u>	<u>961,686</u>
	\$	<u>(366,209)</u>	\$ <u>1,415,729</u>

37. REALIZED INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31	
	2017	2016
Net profit on disposal - stocks	\$ 316,045	\$ 222,386
Net profit on disposal - bonds	28,003	48,877
Net profit on disposal - securitized beneficiary certificates	-	1,253
Dividend revenue	62,861	36,805
	<u>\$ 406,909</u>	<u>\$ 309,321</u>

38. LOSS FROM ASSET IMPAIRMENT

	For the Year Ended December 31	
	2017	2016
Financial assets carried at cost	\$ 4,448	\$ 31,435
Available-for-sale financial assets	-	2,898
	<u>\$ 4,448</u>	<u>\$ 34,333</u>

The Bank evaluated the value of assets already impaired, then recognized loss from assets impairment.

39. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits		
Salaries and wages	\$ 1,588,804	\$ 1,397,557
Award expense	597,177	497,828
Labor insurance and national health insurance	109,298	77,442
Directors' remuneration and fees	78,246	71,574
Others	125,908	180,927
Post-employment benefits		
Pension	73,473	64,082
Stock base payment		
Equity delivery	4,537	-
	<u>\$ 2,577,443</u>	<u>\$ 2,289,410</u>

In compliance with the Company Act as amended in May 2015, and the amended Articles of Incorporation of the Company approved by the stockholders in their meeting in June 2016, the Bank accrued employees' compensation and remuneration of directors and supervisors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	1.25%	1.25%
Remuneration of directors and supervisors	2.50%	2.50%

	For the Year Ended December 31			
	2017		2016	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	\$ 15,919	\$ -	\$ 24,111	\$ -
Bonus to directors	31,838	-	48,223	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There are no differences between the 2017 and 2016 actual amounts of employees' compensation and remuneration of directors and supervisors paid and the 2016 and 2015 amount recognized in consolidated financial statements for the year ended December 31, 2016.

Information for 2018 and 2017 on the bonus to employees, directors and supervisors proposed by the Bank's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2017	2016
Property and equipment	\$ 178,064	\$ 148,751
Intangible assets	135,700	53,108
	\$ 313,764	\$ 201,859

41.OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2017	2016
Taxation	\$ 183,358	\$ 178,941
Rental	169,345	144,463
Management fee	39,456	34,431
Computer operating and consulting fees	112,881	77,026
Entertainment	55,297	53,684
Professional services	85,802	53,901
		(Continued)

	For the Year Ended December 31	
	2017	2016
Advertisement	\$ 150,680	\$ 36,052
Others	487,588	466,782
	<u>\$ 1,284,407</u>	<u>\$ 1,045,280</u>
		(Concluded)

42. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current period	\$ 724,534	\$ 726,396
Income tax on unappropriated earnings	5,934	-
In respect of prior periods	(17,179)	27,313
	<u>713,289</u>	<u>753,709</u>
Deferred tax		
In respect of the current period	<u>19,014</u>	<u>80,033</u>
Income tax expense recognized in profit or loss	<u>\$ 732,303</u>	<u>\$ 833,742</u>

The reconciliation of the income based on income before income tax at the statutory rate and income tax expense was as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	<u>\$ 2,844,190</u>	<u>\$ 3,575,785</u>
Income tax expense calculated at the statutory rate	\$ 829,590	\$ 824,983
Nondeductible expenses and tax-exempt income in determining taxable income	(228,623)	(132,658)
Unrecognized loss carryforwards	11,537	8,233
Unrecognized temporary difference	(36,257)	10,809
Deductible loss carryforwards	(386)	(7,726)
Deductible tax amount of overseas income tax	(10,348)	(37,067)
Additional income tax under the Alternative Minimum Tax Act	76,940	50,735
Income tax on unappropriated earnings	6,271	-
Overseas tax	100,758	89,120
Adjustments for prior years' tax	<u>(17,179)</u>	<u>27,313</u>
Income tax expense recognized in profit or loss	<u>\$ 732,303</u>	<u>\$ 833,742</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions. In February 2018, our country announced the amendment of the income tax law of the Republic of China, adjusting the income tax rate of profit-making business from 17% to 20% and implementing it from the year of 2018. In addition, the tax rate applicable to the 2018-year undistributed earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Translation of foreign operations	\$ 69,149	\$ 48,308
Fair value remeasurement of available-for-sale financial assets	907	21,693
Actuarial gains (loss) on defined benefit plans	(1,108)	3,110
Income tax recognized in other comprehensive income	<u>\$ 68,948</u>	<u>\$ 73,111</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	\$ -	\$ 39,684	\$ -	\$ 42	\$ 39,726
Property and equipment	9,260	(550)	-	(617)	8,093
Exchange difference on foreign operations	15,496	-	19,709	-	35,205
AFS financial assets	23,401	(14,820)	907	6,338	15,826
Defined benefit plans	17,208	27,125	(1,108)	(1,651)	41,574
Doubtful debts	276,193	15,983	-	33,866	326,042
Provisions	79,806	(5,007)	-	-	74,799
Asset impairment	9,857	2,709	-	(119)	12,447
Other	134,042	(99,200)	-	(6,220)	28,622
	<u>\$ 565,263</u>	<u>\$ (34,076)</u>	<u>\$ 19,508</u>	<u>\$ 31,639</u>	<u>\$ 582,334</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	\$ 19,711	\$ (19,711)	\$ -	\$ -	\$ -
Associates	179,719	36,288	-	-	216,007
Exchange difference on foreign operations	49,440	-	(49,440)	-	-
	<u>\$ 248,870</u>	<u>\$ 16,577</u>	<u>\$ (49,440)</u>	<u>\$ -</u>	<u>\$ 216,007</u>

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
Property and equipment	\$ 8,513	\$ 925	\$ -	\$ (178)	\$ 9,260
Exchange difference on foreign operations	-	-	15,496	-	15,496
AFS financial assets	7,706	142	21,693	(6,140)	23,401
Defined benefit plans	14,540	(442)	3,110	-	17,208
Doubtful debts	317,519	(60,810)	-	19,484	276,193
Provisions	91,219	(11,343)	-	(70)	79,806
Asset impairment	9,707	150	-	-	9,857
Other	105,419	33,061	-	(4,438)	134,042
	<u>\$ 554,623</u>	<u>\$ (38,317)</u>	<u>\$ 40,299</u>	<u>\$ 8,658</u>	<u>\$ 565,263</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	\$ 13,970	\$ 5,741	\$ -	\$ -	\$ 19,711
Associates	134,944	44,775	-	-	179,719
Exchange difference on foreign operations	80,010	2,242	(32,812)	-	49,440
Other	1,510	(1,510)	-	-	-
	<u>\$ 230,434</u>	<u>\$ 51,248</u>	<u>\$ (32,812)</u>	<u>\$ -</u>	<u>\$ 248,870</u>

d. Unused investments deductible tax information

As of December 31, 2017, investment deduction related information is as follows:

Status Basis	Deductible Items	Not Yet Deducted Balance	Final Deduction Year
Biotech New Drug Industry Development Regulations	Deductions of shareholders' investment	\$ 13,077	2020
Biotech New Drug Industry Development Regulations	Deductions of shareholders' investment	12,096	2021
		<u>\$ 25,173</u>	

e. Integrated income tax

	December 31	
	2017	2016
Imputation credit accounts	<u>\$ 964</u>	<u>\$ 40,491</u>

	December 31	
	2017(Estimate)	2016
Tax deduction ratio applicable to earnings distribution.	Note	7.16%

Note: As the amendment of the income tax law of the Republic of China announced in February 2018 abolished the TWD-tax system, the Bank and its subsidiaries do not apply the aforementioned tax deduction ratio.

f. Assessment of the income tax

The tax returns of the Company and Subsidiaries through 2015, except for the 2014 income tax of CBF, have been assessed by the tax authorities. CBF disagreed with the tax authorities' assessment of its 2010 tax return and applied for a re-examination. Nevertheless, to be conservative, the Company and its subsidiaries provided for the income tax assessed by the tax authorities.

43.EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share		
From continuing operations	\$ 0.47	\$ 0.65
From discontinued operations	(0.02)	0.04
Total basic earnings per share	<u>\$ 0.45</u>	<u>\$ 0.69</u>
Diluted earnings per share		
From continuing operations	\$ 0.47	\$ 0.65
From discontinued operations	(0.02)	0.04
Total diluted earnings per share	<u>\$ 0.45</u>	<u>\$ 0.69</u>

Earnings used in calculating earnings per share and weighted average number of common stocks as above:

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Earnings used in the computation of basic and diluted earnings per share from continuing operations	\$ 1,124,933	\$ 1,540,692
Profit for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	(52,853)	103,206
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 1,072,080</u>	<u>\$ 1,643,898</u>

Weighted average number of common stocks outstanding (in thousand shares):

	For the Year Ended December 31	
	2017	2016
Weighted average number of common stocks in computation of basic earnings per share	2,405,362	2,390,083
Effect of potentially dilutive common stocks:		
Employees' compensation or bonus issue to employees	2,190	2,874
Employees' stock option	110	-
Weighted average number of common stocks used in the computation of diluted earnings per share	2,407,662	2,392,957

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

44.SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Bank

Qualified employees of the Company and its subsidiaries were granted 2,500 thousand options in April 2017. Each option entitles the holder to purchase one ordinary share of the Company. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the TWSE on the grant date. For any subsequent changes in the Company's capital stock, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31, 2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	2,500	-
Options forfeited	(173)	-
Options exercised	(2,327)	7
Balance at December 31	-	-
Options exercisable, end of year	-	-
Weighted-average fair value of options granted (\$)	\$ 1.95	

Options granted in April 2017 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	April 2017
Grant-date share price (NT\$)	\$8.95
Exercise price (NT\$)	\$7
Expected volatility	16.660%
Expected life (in years)	0.04384 years
Risk-free interest rate	0.4638%

Expected volatility was based on the historical share price volatility over the past 250 days.

Compensation costs recognized were \$4,537 thousand for the year ended December 31, 2017.

45.RELATED PARTY TRANSACTIONS

a. The related parties and their relationship with the Company are summarized as follows:

Related Party	Relationship with The Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture)	Associates
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Bank's legal director
Others	The Bank's management and their other relatives

b. The significant transactions and balances with the related parties are summarized as follows:

1)Deposits

	Ending Balance	Interest Expense	Rate (%)
<u>For the year ended December 31, 2017</u>			
Associates	\$ 2,763	\$ 46	0.25
Others	1,164,690	19,511	0-6.56
	<u>\$ 1,167,453</u>	<u>\$ 19,557</u>	
<u>For the year ended December 31, 2016</u>			
Associates	\$ 4,553	\$ 103	0.08-0.48
Others	881,883	8,334	0.00-6.54
	<u>\$ 886,436</u>	<u>\$ 8,437</u>	

2)Directors acting as the guarantor of the loan balance

	Ending Balance	Rate (%)
December 31, 2017	<u>\$ 665,000</u>	1.437
December 31, 2016	<u>\$ 665,000</u>	1.437

3) Service fee income

	For the Year Ended December 31	
	2017	2016
Associates	\$ 6	\$ 136
Others	8	-
	<u>\$ 14</u>	<u>\$ 136</u>

Service fee income is earned by providing authentication and custody services.

4) Other expense

	For the Year Ended December 31	
	2017	2016
Others	\$ 4,400	\$ 2,520

Other expenses are donations.

5) Rental income and others

	For the Year Ended December 31	
	2017	2016
Others	\$ 782	\$ 322

Rental income received by the department is revenue from leasing service.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 419,238	\$ 430,886
Post-employment benefits	5,844	4,683
Severance payments	-	4,737
Share based payments	1,290	1,196
	<u>\$ 426,372</u>	<u>\$ 441,502</u>

The remuneration of the directors and other major management classes is determined by the Remuneration Committee in accordance with individual performance and market trends.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law number 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

46. PLEDGED ASSETS

	December 31	
	2017	2016
Due from banks	\$ 228,875	\$ 221,966
Financial assets at fair value through profit or loss	13,393,710	5,852,839
Discounts and loans	8,919,490	9,700,057
Available-for-sale financial assets	2,254,810	2,465,184
Held-to-maturity financial assets	149,946	5,255,176
Pledged time deposits	34,834	38,134
Compensation account for payment	65,109	110,080
	<u>\$ 25,046,774</u>	<u>\$ 23,643,436</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of due from banks) and negotiable certificates of deposits (part of financial assets at fair value through profit or loss and held-to-maturity financial assets) as collateral for the day-term overdraft. The pledged amount is adjustable based on overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above available-for-sale financial assets were bond investments and mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the U.S.A. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits to Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collaterals for short-term borrowings, commercial paper issued, contract security deposit and administrative reliefs, but as pledged for the Central Bank bond bidding.

47.SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, As of December 31, 2017 and 2016, the Company had commitments as follows:

	December 31	
	2017	2016
Office decorating and contracts of computer software		
Amount of contracts	\$ 159,256	\$ 1,593,409
Payments for construction in progress and prepayments for equipment	140,912	1,026,389

To operate in accordance with the commercial bank requests, The Bank made computer software contracts with International Integrated System Inc., International Commercial Machine Corporation, Future Intelligence Technology Inc., New Southern Engineering Enterprise Corp. Ltd., Mitac Communication, FUCO & Solution Co., Ltd., Provision Information Inc. and SAS Institute Taiwan Inc. in 2016 respectively.

b.The Company as lessee

Due to rental of buildings, the bank and its subsidiaries have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2027.

As of December 31, 2017 and 2016, refundable deposits paid under operating lease amounted to \$35,070 thousand and \$26,769 thousand.

The future minimum payments under non-cancellable operating lease are summarized as follows:

	December 31, 2017
Up to 1 years	\$ 166,514
Over 1 year to 5 years	343,378
Over 5 years	<u>107,051</u>
	<u>\$ 616,943</u>

c. The Bank's clients believe that the Bank engaged in improper sales of complicated and risky financial products and caused losses to it. The arbitration was submitted to the ROC Arbitration Association on May 16, 2017, requesting the Bank to compensate the damage for US\$2,816 thousand and from May 19, 2017 until the date of settlement, interest rate of 5% per annum. The case is currently in the stage of selecting the chief arbitrator, and the actual result remains to be determined by the arbitration tribunal.

48. TRUST BUSINESS UNDER THE TRUST LAW

Trust-related items are shown in the following balance sheet and trust property list:

Balance Sheet of Trust Accounts

	December 31	
	2017	2016
Trust assets		
Bank deposits	\$ 350,848	\$ 760,034
Financial asset	360,484	228,378
Real estate	<u>1,957,995</u>	<u>5,222,776</u>
Total trust assets	<u>\$ 2,669,327</u>	<u>\$ 6,211,188</u>
Trust capital	<u>\$ 2,669,327</u>	<u>\$ 6,211,188</u>
Trust capital and liability	<u>\$ 2,669,327</u>	<u>\$ 6,211,188</u>

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2017	2016
Trust revenue		
Interest revenue	\$ 399,557	\$ 78,012
Trust expenses		
Management fee	167,747	-
Fees	183,894	-
Income tax expense	<u>22,075</u>	<u>7,763</u>
	<u>\$ 25,841</u>	<u>\$ 70,249</u>

The above income accounts are not included in the Bank's income statements.

Trust Property List

	December 31	
	2017	2016
Bank deposit	\$ 350,848	\$ 760,034
Fund	132,106	-
Stock	228,378	228,378
Land	1,865,892	5,131,963
Real estate, net	92,103	90,813
	<u>\$ 2,669,327</u>	<u>\$ 6,211,188</u>

49.FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value

Financial assets

Held-to-maturity financial assets	\$ 499,821	\$ 505,448	\$ 5,544,703	\$ 5,550,503
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Financial liabilities

Bank debentures	20,400,000	20,464,560	17,450,000	17,544,491
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2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017			
	Total	Level 1	Level 2	Level 3

Financial assets

Held-for-maturity financial assets	\$ 505,448	\$ -	\$ 505,448	\$ -
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Financial liabilities

Bank debentures	20,464,560	20,464,560	-	-
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Item	December 31, 2016			
	Total	Level 1	Level 2	Level 3

Financial assets

Held-for-maturity financial assets	\$ 5,550,503	\$ -	\$ 5,550,503	\$ -
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Financial liabilities

Bank debentures	17,544,491	17,544,491	-	-
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Refer to quoted market prices for fair value if there are public quotation on held-to-maturity financial assets and bank debentures with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

b. Fair value of financial instruments carried at fair value

1) The fair value hierarchy of the financial instruments as of December 31, 2017 and 2016 were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017			
	Total	Level 1	Level 2	Level 3

Non-derivative financial instruments

Assets

Financial assets at fair value through profit or loss

Held-for-trading financial assets

Stocks	\$ 597,071	\$ 562,443	\$ -	\$ 34,628
Bonds	15,369	15,369	-	-
Bills	102,246,486	-	102,246,486	-
Others	42,552,352	-	42,552,352	-

Financial assets designated as fair value through profit or loss

8,030,080	-	1,292,119	6,737,961
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Available-for-sale financial assets

Stocks	3,655,311	3,655,311	-	-
Bonds	145,490,411		145,490,411	

Non-derivative financial instruments

Liabilities

Financial liabilities at fair value through profit or loss

Held-for-trading financial liabilities	7,245	-	7,245	-
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Derivative financial instruments

Assets

Financial assets at fair value through profit or loss

695,625	-	542,229	153,396
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Liabilities

Financial liabilities at fair value through profit or loss

783,773	-	783,773	-
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Item	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 539,779	\$ 360,084	\$ 114,669	\$ 65,026
Bonds	517,317	10,928	506,389	
Bills	96,648,408	-	96,648,408	-
Others	35,342,797	-	35,342,797	-
Financial assets designated as fair value through profit or loss	12,018,171	-	1,627,391	10,390,780
Available-for-sale financial assets				
Stocks	1,201,277	1,201,277	-	-
Bonds	125,780,288	101,197	125,679,091	
<u>Non-derivative financial instruments</u>				-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	72	-	72	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	2,655,813	-	2,444,169	211,644
Liabilities				
Financial liabilities at fair value through profit or loss	2,377,800	-	2,377,800	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides, in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss, available-for-sale financial assets and hedging derivative financial assets refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

- Ensure the consistency and completeness of market data.
- The source of market data should be transparent, easy to access, and should come from independent resources.

iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.

iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Company and its subsidiaries are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation., using the Murex+ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

i. Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.

ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Valuation in fair value of Level 3 items of financial instruments

For the year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/ Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	
Non-derivative financial Instruments							
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	\$ 65,026	\$ -	\$ -	\$ -	\$ (30,398)	\$ -	\$ 34,628
Financial assets designated as fair value through profit or loss	211,644	(58,248)	-	-	-	-	153,396
Derivative financial Instruments							
Financial assets at fair value through profit or loss							
Assets	10,390,780	160,038	9,996,100	-	(13,808,957)	-	6,737,961

For the year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/ Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	
Non-derivative financial Instruments							
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	\$ 100,013	\$ -	\$ -	\$ -	\$ -	\$ (34,987)	\$ 65,026
Financial assets designated as fair value through profit or loss	272,806	(61,162)	-	-	-	-	211,644
Derivative financial Instruments							
Financial assets at fair value through profit or loss							
Assets	12,974,073	241,528	10,569,800	-	(13,394,621)	-	10,390,780

4) Transfer between Level 1 and Level 2

The Company has no significant transfers between Level 1 and Level 2 for years ended December 31, 2017 and 2016.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

Although the Company and its subsidiaries believe that their estimates of fair value are appropriate, their using of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 of the fair value hierarchy, structural bonds are evaluated by counterparty quotes; no quoted market price of the Bonds and convertible corporate bonds for asset swap are evaluated by the future cash flows discounted model. Its discount rate as the zero coupon yield curve is deduced by using the LIBOR rate yield curve and the dollar yield curve consisting swap rate and considering credit risk premium. In the condition of the same variables, a 10% change in either direction of the quotes from respective counterparties would have the effects on the income and other comprehensive income both in 2016 and 2017 and are as follows:

For the year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss				
Derivative financial instruments	\$ -	\$ (1,076)	\$ -	\$ -

For the year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss				
Derivative financial instruments	\$ -	\$ (1,221)	\$ -	\$ -

50. FINANCIAL RISK MANAGEMENT

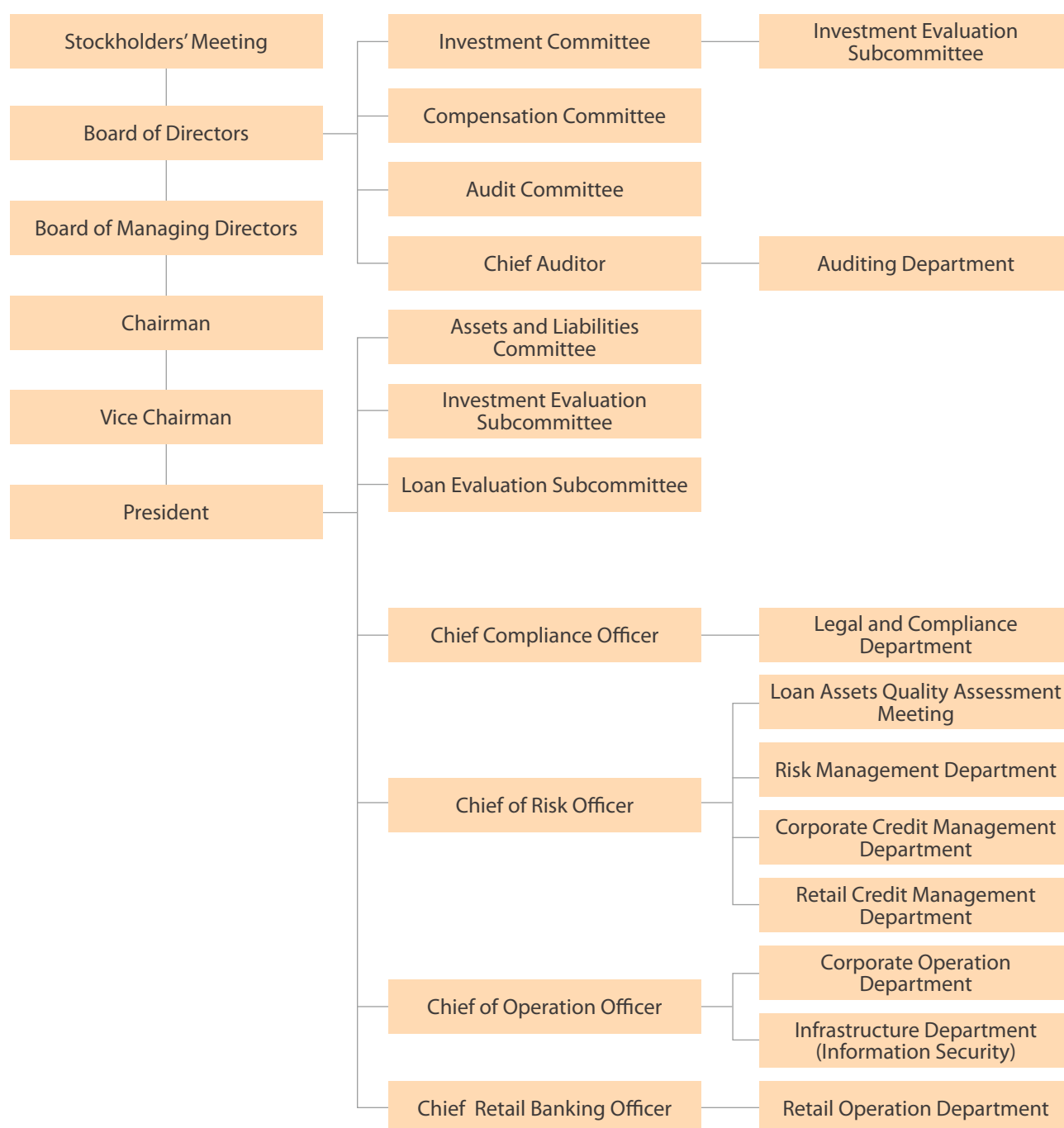
a. Overview

For the potential expected and unexpected risk, the Company and its subsidiaries establish a comprehensive risk management system to distribute resource effectively and enhance competitiveness to ensure that all operating risks are controlled in the acceptable extent. The Company continues to engage actively in the capital adequacy ratio with the regulators and monitors to meet the Basel III requirements.

b. Risk management framework

Risk management framework of the Company and its important individual in control are expressed as follows:

Ultimate responsibility for setting the Bank's risk appetite rests with the Board of Directors. Auditing Department, Audit Committee, Investment Committee and Compensation Committee are reporting to the Board of Directors. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, hold Capital Meeting and Quality Evaluation of Assets Meeting for discussing and considering risk management proposals regularly. Risk Management Department is responsible for establishing a total scheme of risk management and monitoring of execution.



- 1) Assets and Liabilities Committee: It has responsibility for oversight and review of significant issues, policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, review the asset and liability allocation and capital adequacy. It held assets and liabilities management meeting once a month.
- 2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.
- 3) Investment Evaluation Subcommittee: Assessing and reviewing the investment cases transferred by the ministry of investment, they shall still be submitted to the “investment review committee” as required and submitted to the standing committee for consideration and approval.
- 4) Loan and investment assets assessment meetings held for various businesses:
 - a) Loan assets quality assessment meeting
 - i. Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.
 - ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses, assurance of responsibility to prepare and its recognition.
 - iii. Assess the probable loss of loan assets, pass cases of investment loss recognition, and make the proposal to the CEO.
 - iv. Track the status of customers still in operating which were fully recognized as loss.
 - b) Investment assets quality assessment meeting
 - i. Access the status of investment asset quality from Rank 5-8, and choose the action to be taken.
 - ii. Authorized the investment assess result provide by evaluation staff. The composition of evaluation result is consisted with period, industries, economic recycle and evaluation method suggested by accounting principal.
 - iii. Access the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board.
 - iv. Track the status of customers still in operating which were full recognized as loss.

China Bills Finance Corporation’s (CBF) Board of Directors has the ultimate responsibility for risk framework decisions unit and oversees the implementation of the risk management. Business risk management which is headed by the president is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk and operational risk control, and the other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligation to pay the Bank in accordance with agreed terms. The source of credit risks includes the subjects in the balance sheet and off-balance sheet items.

2) Strategy/objectives/policies and procedures

a) Credit risk management strategy: The Bank are set as the implement the relevant provisions of the principles of credit risk management requirements and establish the Bank's credit risk management mechanism to ensure that the credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.

b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimized potential financial losses and pursue optimal reward.

Sound risk management systems and control processes, and strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Company's standards, and serve to maintain high credit standards and asset quality.

c) Credit risk management policy: The Bank establish risk management system to ensure the integrity of the Bank's business risk management and compliance particularly with the Financial Supervisory Commission issued the "financial holding companies and banking internal control and Auditing System Implementation Measures "and "norms for formulating proposals and execution of risk management policies by subsidiaries of banks"; to limit the credit risk of the Bank within the acceptable range, to maintain adequate capital and credit risk strategy to achieve the objectives, and to create maximum risk-adjusted returns.

d) Credit risk management process:

- i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including the banking book and the trading book, including balance sheet and off-balance sheet transactions, along with financial innovation; as new credit businesses become increasingly complex, business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of credit risk, re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

i) The Bank manages assets portfolio by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk rating must actually be scaled within credit and investors. The continual change of market gives rise to the change of credit or investor. Therefore, risk rating must be reevaluated and updated often to adjust risk rating scale when being verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope,
- “Concentrative risks” are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

- i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include: Asset quality, portfolio rating classification status, and all kinds of exception reports.
- ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

- i) The Bank shall establish monitoring system to assess changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties’ credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.
- ii) Besides monitoring the individual credit risk, the Company also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) The Board of Directors: The Board of Directors, the top risk supervisor of the Bank, is responsible for authorizing and reviewing the credit risk management strategies, and approving the credit risk management framework. The strategy should reflect the level of risk that the Bank can bear and the level of profitability that the Bank expects to achieve under various credit risks.

- b) The Audit Committee: Responsible for stipulation and amendment of stipulations on issues about internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
 - c) The Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department After passing, the provisions should still be submitted to the level of competence review.
 - d) The Loan Assets Quality Evaluation Meeting: The Company is in charge for making policies and strategies for identifying the possibilities of loss on credit assets. The Company evaluates the adequacy of the allowance for credit assets.
 - e) The Risk Management Department: The department is independent, in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Company follows the BASEL's regulation. It is also responsible for the preparation of risk management reports presented to appropriate management, and it plans to establish monitoring tools for credit risk measurement.
 - f) Corporate Credit Department: It supervised the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed of credit and guarantee amount control, proper release and other release matters.
 - g) Retail Credit Management Department: Manage personal financial risk identify, measure, monitor, manage and resell bad debts, prepare for bad debts presentation, loss assessment and post-loan management.
- 4) The range and points of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the Board of Directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-lending management and collection operations. The risk management units regularly provide various types of credit risk and asset quality in addition to the above operational procedures. The analysis report is to manage the indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the Board of Directors to grasp the risk-taking situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

To understand the risk appetite and the risk appetite for changes in the financial environment and the impact on capital adequacy, the Bank handled its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the HKMA Risk stress test, as an important basis for credit risk management, and to continue to adjust the direction of business development, credit policy and credit evaluation procedures.

- 5) Mitigation of risks or hedging of credit risk and monitoring the avoided risks

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty's bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Company has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Company uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links levy credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets are the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Company and its subsidiaries is as follows:

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2017	December 31, 2016
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	\$ 111,469,765	\$ 104,736,341
Maximum exposure amounts	111,469,765	104,736,341

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic property to. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Company and its subsidiaries do not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business. (including loan commitment and guarantee and commercial bonds issuing commitment)

On December 31, 2017 and 2016, the Company and its subsidiaries' significant concentrations of credit risk were summarized as follows (only top three are written below):

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Real estate	\$ 28,696,054	10.16	\$ 21,704,954	8.29
Financial intermediary	28,011,612	9.92	22,375,602	8.55
The printed circuit board component manufacturing	17,468,379	6.18	16,214,475	6.19

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Private sector	\$ 173,620,086	95	\$ 16,140,629	98
Natural person	9,147,952	5	2,856,092	2

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Domestic	\$ 115,392,955	63	\$ 98,175,606	60
Central America	30,208,123	17	36,184,647	22
Other Asia area	31,586,509	17	24,334,197	15

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at fair value through profit or loss, repos and debt securities, refundable deposits, guaranty bond and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

Related financial assets impairment valuation is as follows:

a) Credit analysis for receivables and discounts and loans

December 31, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Balance sheet items							
Receivables	\$ 22,276,814	\$ -	\$ 421,691	\$ 22,698,505	\$ 280,181	\$ 365,177	\$ 22,053,147
Discounts and loans	181,324,546	-	1,443,492	182,768,038	375,969	2,305,883	180,086,186

December 31, 2016	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Balance sheet items							
Receivables	\$ 20,105,220	\$ -	\$ 204,355	\$ 20,309,575	\$ 182,049	\$ 335,872	\$ 19,791,654
Discounts and loans	163,187,859	-	1,808,862	164,996,721	327,481	2,124,599	162,544,641

b) Credit analysis for marketable securities

December 31, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Available-for-sale financial assets							
Bonds	\$ 145,490,411	\$ -	\$ -	\$ 145,490,411	\$ -	\$ -	\$ 145,490,411
Equity investments	3,640,868	-	19,561	3,660,429	5,118	-	3,655,311
Held-to-maturity financial assets							
Bonds	499,821	-	-	499,821	-	-	499,821
Other financial assets							
Equity investments	971,422	-	953,063	1,924,485	751,144	-	1,173,341

December 31, 2016	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Available-for-sale financial assets							
Bonds	\$ 125,780,288	\$ -	\$ -	\$ 125,780,289	\$ -	\$ -	\$ 125,780,288
Equity investments	1,192,759	-	14,287	1,207,045	5,769	-	1,201,277
Held-to-maturity financial assets							
Bonds	499,703	-	-	499,703	-	-	499,703
Others	5,045,000	-	-	5,045,000	-	-	5,045,000
Other financial assets							
Equity investments	1,280,976	-	1,065,948	2,346,924	833,769	-	1,513,155

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets overdue but not yet impaired.

The Company as of year ended December 31, 2017 were no overdue but not impaired financial assets.

10) Analysis of impairment for financial assets

The Company has assessed whether loans and receivables have objective evidence of impairment. Assessed with banks, the Central Bank and other banks had no impairment loss. The assessment on loans and receivables are as follows:

Receivables

Type of Impairment Assessment		December 31, 2017		December 31, 2016	
		Accounts Receivables	Allowance for Credit Losses	Accounts Receivables	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	\$ 421,691	\$ 280,181	\$ 204,355	\$ 182,049
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed for impairment	22,276,814	365,177	20,105,220	335,872

Note: The receivables are those originated by the Company, and not net of the allowance for credit losses and adjustments for discount (premium).

Discounts and loans

Type of Impairment Assessment		December 31, 2017		December 31, 2016	
		Discounts and Loans	Allowance for Credit Losses	Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	\$ 1,443,492	\$ 375,969	\$ 1,808,862	\$ 327,481
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed	181,324,546	2,305,883	163,187,859	2,124,599

Note: The amount of discounts and loans is the original value, which does not minus allowance for credit losses.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Company and its subsidiaries' capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Company is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Company's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.

b) Manage current assets to ensure that the Company and its subsidiaries have enough instantly-realized assets to deal with currency risks.

c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Company's liquidity.

d) To establish an appropriate information system to measure, monitor and report liquidity risk.

e) The setting of the measurement systems or models should include important factors which affect the currency risks of the bank fund (including the introduction of new products or services) for managing current risks to help the bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.

f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.

g) In addition to the monitoring of the capital requirements, under normal business conditions, the Company should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.

h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2017 and 2016, the liquidity reserve ratio was 37.37% and 42.84%.

3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Deposits from the central bank and banks	\$ 41,967,101	\$ 11,065,538	\$ -	\$ -	\$ -	\$ 53,032,639
Financial liabilities at fair value through profit or loss	7,245	-	-	-	-	7,245
Securities sold under agreements to repurchase	146,992,716	41,450,703	1,478,851	16,105	-	189,938,375
Accounts payable	1,797,214	251,486	2,144,300	695,469	134,212	5,022,681
Deposits	39,248,871	78,073,545	33,489,960	23,325,344	24,148,980	198,286,700
Financial bonds	-	-	-	4,300,000	16,100,000	20,400,000
Other financial liabilities	6,431,043	2,986,062	2,817,986	3,419,422	6,683,364	22,337,877
	<u>\$ 236,444,190</u>	<u>\$ 133,827,334</u>	<u>\$ 39,931,097</u>	<u>\$ 31,756,340</u>	<u>\$ 47,066,556</u>	<u>\$ 489,025,517</u>

December 31, 2016	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Deposits from the central bank and banks	\$ 46,625,389	\$ 9,265,411	\$ 807,131	\$ -	\$ -	\$ 56,697,931
Financial liabilities at fair value through profit or loss	72	-	-	-	-	72
Securities sold under agreements to repurchase	137,721,033	24,882,102	690,304	90,391	-	163,383,830
Accounts payable	1,322,706	83,479	1,773,101	550,507	23,350	3,753,143
Deposits	49,891,993	75,616,714	24,192,987	17,825,044	17,060,873	184,587,611
Financial bonds	-	-	800,000	-	16,650,000	17,450,000
Other financial liabilities	8,372,409	1,728,090	211,167	493,333	8,026,643	18,831,642
	<u>\$ 243,933,602</u>	<u>\$ 111,575,796</u>	<u>\$ 28,474,690</u>	<u>\$ 18,959,275</u>	<u>\$ 41,760,866</u>	<u>\$ 444,704,229</u>

- 4) The Company assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
<u>Deliverable</u>						
Foreign forward contracts	\$ 101,040	\$ 701	\$ 4,203	\$ 2,703	\$ -	\$ 108,647
Foreign currency swap contracts	251,900	109,499	116,648	61,402	-	539,449
Others	1,378	-	-	-	-	1,378
	354,318	110,200	120,851	64,105	-	649,474
<u>Non-deliverable</u>						
Interest rate swap contracts	-	-	-	11,007	123,292	134,299
	<u>\$ 354,318</u>	<u>\$ 110,200</u>	<u>\$ 120,851</u>	<u>\$ 75,112</u>	<u>\$ 123,292</u>	<u>\$ 783,773</u>

December 31, 2016	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
<u>Deliverable</u>						
Forward contracts	\$ 46,464	\$ 65,705	\$ 34,231	\$ 157,180	\$ -	\$ 303,580
Currency swap contracts	345,552	185,344	184,418	113,336	-	828,650
Selling foreign currency option contracts	8,591	40,375	492,766	591,596	-	1,133,328
Commercial paper contracts	538	-	-	-	-	538
	-	-	243	3,963	-	4,206
	401,145	291,424	711,658	866,075	-	2,270,302
<u>Non-deliverable</u>						
Interest rate swap contracts	-	1,154	7,039	-	99,305	107,498
	<u>\$ 401,145</u>	<u>\$ 292,578</u>	<u>\$ 718,697</u>	<u>\$ 866,075</u>	<u>\$ 99,305</u>	<u>\$ 2,377,800</u>

- 5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Unused letters of credit	\$ 1,191,027	\$ 1,013,393	\$ 367,946	\$ 15,541	\$ -	\$ 2,587,907
Other guarantee amounts	35,533,002	63,019,079	5,466,081	4,803,363	60,333	108,881,858
	<u>\$ 36,724,029</u>	<u>\$ 64,032,472</u>	<u>\$ 5,834,027</u>	<u>\$ 4,818,904</u>	<u>\$ 60,333</u>	<u>\$ 111,469,765</u>

December 31, 2016	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Unused letters of credit	\$ 1,322,427	\$ 1,321,994	\$ 146,019	\$ -	\$ -	\$ 2,790,440
Other guarantee amounts	<u>35,911,543</u>	<u>55,427,077</u>	<u>6,625,600</u>	<u>3,619,516</u>	<u>362,165</u>	<u>101,945,901</u>
	<u>\$ 37,233,970</u>	<u>\$ 56,749,071</u>	<u>\$ 6,771,619</u>	<u>\$ 3,619,516</u>	<u>\$ 362,165</u>	<u>\$ 104,736,341</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manage the market risk with active, careful attitude.

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the Assets and Liabilities Committee and the Board of Directors with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

a) Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the Board of Directors, are the top stipulation in market risk management.

b) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and -liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to the Board of Directors.

c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (ex: Equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT, 20-Day average liquidity and FS to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at risk

The Company adopts Value at Risk (VaR) to evaluate the market risk of financial instruments related to currency exchange rate, NTD interest rate, and price of listed stock. VaR is the potential loss in market values of financial instruments held by the Bank, which is measured within a set confidence interval for a specified period. The Bank estimated VaR on the basis of Monte Carlo method, with 99% confidence interval. The sample period of currency exchange rate products and stock is past 1 year. The sample period of interest rate products is past 3 years. The Bank simulates 5,000 times with GBM model. The table below presents VaR of financial instruments, which is according to confidence interval, using estimation of potential loss amount in a day to assume possible fluctuation in market during a day under unfavorable changes in interest rates and exchange rates. Based on the assumption, the VaRs of the financial instruments may exceed the following values due to the fluctuations of interest rate or currency exchange rate in 1 day out of 100 days. The average VaR, the high and low VaRs were calculated based on daily VaRs in the year. The whole market risk of the Bank was less than the aggregated value of VaRs of fair value, currency exchange rate and price.

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

O-Bank

	December 31					
	2017			2016		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 2,150	\$ 8,317	\$ 86	\$ 1,390	\$ 5,968	\$ 101
Fair value risk resulting from interest rate	1,896	13,446	-	2,105	11,246	37
Fair value resulting from stock price	10,439	18,766	4,039	7,103	24,218	1,063

6) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Each Foreign Currencies (Thousand)/NT\$ (Thousand)

December 31, 2017			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,855,725	29.8545	\$ 85,248,871
JPY	1,791,669	0.2649	474,613
HKD	5,730,897	3.8202	21,893,399
EUR	20,744	35.7084	740,735
AUD	2,271	23.2999	52,914
RMB	3,146,864	4.5775	14,405,825
<u>Financial liabilities</u>			
Monetary item			
USD	3,246,195	29.8545	96,907,011
JPY	771,871	0.2649	204,465
HKD	5,235,688	3.8202	20,001,582
EUR	7,651	35.7084	273,205
AUD	7,659	23.2999	178,454
RMB	2,759,353	4.5775	12,631,737

	For the Year Ended December 31			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Deposits from the central bank and banks	38,358,810	1.13	40,810,605	0.61
Demand deposits	23,680,971	0.35	27,145,073	0.32
Time deposits	144,792,924	0.86	100,878,966	0.71
Securities sold under repurchase agreements	6,965,099	0.55	1,466,221	0.37
Bank debentures	17,541,918	2.02	16,469,126	2.11
Other financial liabilities	5,415,837	-	5,378,658	-

China Bills Finance Corporation (CBF)

	For the Year Ended December 31			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (including certificate of deposit)	\$ 770,267	0.14	\$ 536,434	0.16
Call loans to banks	21,112	3.29	24,728	1.25
Financial assets at fair value through profit or loss - bonds and bills	99,441,408	0.57	99,646,881	0.57
Available-for-sale financial assets-bond investment	96,414,292	1.32	87,380,875	1.36
Financial assets at fair value through profit or loss-bond investment	8,488,165	1.55	11,408,684	1.73
Securities purchased under resell agreements	6,225,804	0.13	3,895,444	0.20
<u>Interest-bearing liabilities</u>				
Due to other banks	19,435,597	0.46	18,251,341	0.35
Bank overdrafts	7,345	1.75	4,483	1.87
Securities sold under repurchase agreements	163,056,170	0.44	160,247,982	0.38

51.CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Company's common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above by the competent authority regulations.

b.Capital assessment program

Regularly on various capital ratio and leverage ratio calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly track the target achievement rate in the capital ratio, or leverage ratio has deteriorated because of the circumstances should be taken when measure.

c. Capital adequacy ratio

O-Bank

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year	December 31, 2017	
				Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common shares equity Tier 1		20,691,448	39,951,052	
	Other Tier 1 capital		-	-	
	Tier 2 capital		5,160,148	8,193,754	
	Eligible capital		25,851,596	48,144,806	
Risk-weighted assets	Credit risk	Standard	177,038,851	281,472,735	
		Internal rating based approach	-	-	
		Asset securitization	-	-	
	Operational risk	Basic indicator approach	7,422,913	8,580,350	
		Standard/alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standard	4,165,338	69,552,775	
		Internal model approach	-	-	
Total risk-weighted assets			188,627,102	359,575,860	
Capital adequacy ratio			13.71%	13.39%	
Ratio of common stockholders' equity to risk-weighted assets			10.97%	11.11%	
Ratio of Tier 1 capital to risk-weighted assets			10.97%	11.11%	
Leverage ratio			7.24%	6.70%	

Unit: In Thousands of New Taiwan Dollars, %

Items			Year	December 31, 2016	
				Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common shares equity Tier 1		\$ 20,914,400	\$ 39,970,360	
	Other Tier 1 capital		-	-	
	Tier 2 capital		4,691,143	7,958,989	
	Eligible capital		25,605,543	47,929,349	
Risk-weighted assets	Credit risk	Standard	162,090,192	269,123,088	
		Internal rating based approach	-	-	
		Asset securitization	-	-	
	Operational risk	Basic indicator approach	6,946,513	8,216,913	
		Standard/alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standard	4,003,900	59,733,113	
		Internal model approach	-	-	
	Total risk-weighted assets		173,040,605	337,073,114	
Capital adequacy ratio			14.80%	14.22%	
Ratio of common stockholders' equity to risk-weighted assets			12.09%	11.86%	
Ratio of Tier 1 capital to risk-weighted assets			12.09%	11.86%	
Leverage ratio			7.81%	7.18%	

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common shares equity Tier 1 + Other Tier 1 capital + Tier 2 capital
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common stockholders' equity to risk-weighted assets = Common shares equity Tier 1 ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common shares equity Tier 1 + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure amount

According to Law of Bank and other related regulations, the Bank and the Group's capital adequacy ratio should not be lower than 8%, Ratio of Tier 1 capital should not be lower than 5.5% and Ratio of common stockholders' equity should not be lower than 4% to ground the financial foundation of the Bank Referring to any actual ratios lower than the requirements, the authority has the rights to constrain the earning distribution.

China Bills Finance Corporation

(Unit: In Thousands of New Taiwan Dollars, %)

Items		Year	December 31, 2017	December 31, 2016
Eligible capital	Tier 1 capital		\$ 21,908,716	\$ 22,186,884
	Tier 2 capital		-	261,977
	Tier 3 capital		276,469	102,749
	Eligible capital		22,185,185	22,551,610
Risk-weighted assets	Credit risk		105,688,495	107,837,165
	Operational risk		4,008,287	3,572,500
	Market risk		58,540,805	55,947,322
	Total risk-weighted assets		168,237,587	167,356,987
Capital adequacy ratio (Note 1)			13.19%	13.48%
Ratio of Tier 1 capital to risk-weighted assets (Note 1)			13.02%	13.26%
Ratio of Tier 2 capital to risk-weighted assets (Note 1)			-	0.16%
Ratio of Tier 3 capital to risk-weighted assets (Note 1)			0.17%	0.06%
Ratio of common stockholders' equity to total assets (Note 1)			6.09%	6.60%

Note:1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

2) The amount of total assets mentioned above is calculated by summarizing all assets on the balance sheet.

3) The capital adequacy ratio (CAR) should be computed at the end of June and December. In quarterly report, the capital adequacy ratio disclosed is the data of related period (the end of June or December).

4) The calculation method of eligible capital and risk-weighted assets should follow the "bills finance company's capital adequacy management approach" and "calculation and description of bills finance capital and risk assets".

52.ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

December 31, 2017

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	\$ 6,525,400	22.28
2	B Company (ocean transportation)	3,619,243	12.36
3	C Company (LCD and component manufacturing)	3,525,096	12.04
4	D Company (real estate development)	3,464,541	11.83
5	E Company (chemistry manufacturing)	2,592,128	8.85
6	F Company (paper manufacturing)	2,543,725	8.69
7	G Company (department store)	2,405,555	8.21
8	H Company (real estate development)	2,197,560	7.50
9	I Company (financial lease)	2,018,580	6.89
10	J Company (semiconductor packaging and testing)	2,001,342	6.83

December 31, 2016

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	\$ 5,889,061	20.04
2	C Company (LCD and component manufacturing)	4,105,383	13.97
3	B Company (ocean transportation)	3,988,689	13.57
4	K Company (fuel and coal production on manufacturing)	3,113,561	10.59
5	G Company (real estate development)	2,979,749	10.14
6	L Company (unclassified other financial service)	2,748,125	9.35
7	F Company (paper manufacturing)	2,592,188	8.82
8	D Company (real estate development)	2,460,465	8.37
9	J Company (semiconductor packaging and testing)	2,377,758	8.09
10	M Company (construction industry)	2,148,768	7.31

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)

December 31, 2017

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 132,363,671	\$ 16,508,687	\$ 12,822,636	\$ 32,594,222	\$ 194,289,216
Interest rate-sensitive liabilities	86,513,208	38,462,306	25,665,659	37,448,522	188,089,695
Interest rate-sensitive gap	45,850,463	(21,953,619)	(12,843,023)	(4,854,300)	6,199,521
Net worth					27,562,030
Ratio of interest rate-sensitive assets to liabilities					103.30%
Ratio of interest rate sensitivity gap to net worth					22.49%

December 31, 2016

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 109,271,601	\$ 6,689,069	\$ 13,921,957	\$ 38,098,290	\$ 167,980,917
Interest rate-sensitive liabilities	82,311,467	25,533,915	16,068,903	35,693,023	159,607,308
Interest rate-sensitive gap	26,960,134	(18,844,846)	(2,146,946)	2,405,267	8,373,609
Net worth					28,413,325
Ratio of interest rate-sensitive assets to liabilities					105.25%
Ratio of interest rate sensitivity gap to net worth					29.47%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)

December 31, 2017

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,462,640	\$ 63,033	\$ 13,009	\$ 605,581	\$ 2,144,263
Interest rate-sensitive liabilities	1,634,854	473,450	60,597	-	2,168,901
Interest rate-sensitive gap	(172,214)	(410,417)	(47,588)	605,581	(24,638)
Net worth					41,244
Ratio of interest rate-sensitive assets to liabilities					98.86%
Ratio of interest rate sensitivity gap to net worth					(59.74%)

December 31, 2016

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,456,084	\$ 88,866	\$ 44,243	\$ 497,033	\$ 2,086,226
Interest rate-sensitive liabilities	1,525,147	577,152	73,811	73	2,176,183
Interest rate-sensitive gap	(69,063)	(488,286)	(29,568)	496,960	(89,957)
Net worth					18,419
Ratio of interest rate-sensitive assets to liabilities					95.87%
Ratio of interest rate sensitivity gap to net worth					(488.39%)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

c. Liquidity risk

1) Profitability

(%)

Items		For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Return on total assets	Before income tax	0.44	0.72
	After income tax	0.38	0.64
Return on equity	Before income tax	4.18	6.29
	After income tax	3.65	5.57
Net income ratio		23.79	38.06

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2017 and 2016.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 252,606,042	\$ 49,236,605	\$ 24,824,432	\$ 23,689,243	\$ 24,869,925	\$ 24,659,688	\$ 105,326,149
Main capital outflow on maturity	280,759,592	31,102,800	26,089,592	70,432,107	39,733,662	37,165,578	76,235,853
Gap	(28,153,550)	18,133,805	(1,265,160)	(46,742,864)	(14,863,737)	(12,505,890)	29,090,296

December 31, 2016

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 208,581,483	\$ 45,214,409	\$ 15,011,780	\$ 12,238,204	\$ 16,626,871	\$ 23,424,948	\$ 96,065,271
Main capital outflow on maturity	238,970,810	21,313,955	30,272,935	69,783,129	24,401,394	25,059,486	68,139,911
Gap	(30,389,327)	23,900,454	(15,261,155)	(57,544,925)	(7,774,523)	(1,634,538)	27,925,360

Note: The Bank amounts refer to the total NTD amounts of the overall group.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 4,243,908	\$ 1,338,861	\$ 832,448	\$ 730,436	\$ 364,296	\$ 977,867
Main capital outflow on maturity	4,607,286	1,832,992	1,255,648	685,934	251,943	580,769
Gap	(363,378)	(494,131)	(423,200)	44,502	112,353	397,098

December 31, 2016

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,701,265	\$ 1,049,555	\$ 842,859	\$ 651,303	\$ 343,742	\$ 813,806
Main capital outflow on maturity	4,173,367	1,603,848	1,054,309	510,061	377,003	628,146
Gap	(472,102)	(554,293)	(211,450)	141,242	(33,261)	185,660

Note 1: The Bank amounts refer to the total USD amounts of the overall group.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 977,316	\$ 368,760	\$ 140,038	\$ 26,708	\$ 54,264	\$ 387,546
Main capital outflow on maturity	1,038,812	425,441	351,170	31,952	47,815	182,434
Gap	(61,496)	(56,681)	(211,132)	(5,244)	6,449	205,112

December 31, 2016

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 906,939	\$ 224,971	\$ 163,114	\$ 87,904	\$ 124,462	\$ 306,488
Main capital outflow on maturity	929,504	357,619	241,093	82,505	115,220	133,067
Gap	(22,565)	(132,648)	(77,979)	5,399	9,242	173,421

China Bills Finance Corporation

a. Asset quality

(Unit: In Thousands of New Taiwan Dollars, %)

Item	Period	December 31, 2017	December 31, 2016
Balance of guarantees and endorsement credits overdue within 3 months		\$ -	\$ -
Nonperforming debts (include overdue receivables)		-	-
Credits under observation		-	-
Overdue receivables		-	-
Ratio of nonperforming debts		0.00%	0.00%
Ratio of nonperforming debts and credits under observation		0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees		1,001,604	972,378
Actual provision for credit losses and reserve for losses on guarantees		1,429,477	1,429,477

b. The principal operation

(Unit: In Thousands of New Taiwan Dollars, %)

Item	Period	December 31, 2017	December 31, 2016
Balance of guarantees and endorsement securities		\$ 99,741,800	\$ 96,796,900
Ratio of guarantees and endorsement securities to net worth (Note)		4.72	4.59
Short-term bills and bonds sold under agreement to repurchase		174,073,575	161,290,005
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)		8.24	7.65

Note: The net worth mentioned above is the net worth after appropriation in prior year minus the original cost of financial assets carried at cost.

d. Concentrations of credit extensions

Item	Period	December 31, 2017		December 31, 2016	
Credit of the common interested party		\$	-	\$	-
Credit ratio of the interested party (Credit of the common interested party÷ Total credit)			-		-
Credit ratio of pledged stocks (Credit of pledged stocks÷ Total credit)			19.05		19.69
Loan concentration by industry (The concentration of listed industries were the Top 3 of all industries)		Type of Industry	%	Type of Industry	%
		1) Finance and insurance industry	31.07	1) Finance and insurance industry	31.93
		2) Manufacturing industry	24.61	2) Manufacturing industry	27.51
		3) Real estate industry	25.58	3) Real estate industry	21.24

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable.)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 106,487	\$ 12,879	\$ 8,817	\$ 88,435	\$ 216,618
Interest rate-sensitive liabilities	193,618	1,479	16	23,025	218,138
Interest rate-sensitive gap	(87,131)	11,400	8,801	65,410	(1,520)
Net worth					23,025
Ratio of interest rate-sensitive assets to liabilities (%)					99.30
Ratio of interest rate sensitivity gap to net worth (%)					(6.60)

December 31, 2016

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 94,538	\$ 13,812	\$ 11,861	\$ 80,481	\$ 200,692
Interest rate-sensitive liabilities	177,756	690	90	22,437	200,973
Interest rate-sensitive gap	(83,218)	13,122	11,771	58,044	(281)
Net worth					22,437
Ratio of interest rate-sensitive assets to liabilities (%)					99.86
Ratio of interest rate sensitivity gap to net worth (%)					(1.25)

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

f. The use of funding sources table

December 31, 2017

(In Millions of New Taiwan Dollars)

Items		Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills		\$ 49,385	\$ 47,488	\$ 8,489	\$ 1,259	\$ -
	Bonds		1,034	2,589	4,390	7,558	88,435
	Due from banks		308	-	-	-	-
	Call loans		-	-	-	-	-
	Securities purchased under agreement to resell		4,382	1,301	-	-	-
	Total		55,109	51,378	12,879	8,817	88,435
Cash provided by	Borrowing		21,137	-	-	-	-
	Securities sold under agreement to repurchase		133,441	39,040	1,479	16	-
	Eligible capital		-	-	-	-	23,025
	Total		154,578	39,040	1,479	16	23,025
Net cash flows			(99,469)	12,338	11,400	8,801	65,410
Accumulated cash flows			(99,469)	(87,131)	(75,731)	(66,930)	(1,520)

December 31, 2016

(In Millions of New Taiwan Dollars)

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	\$ 46,287	\$ 43,355	\$ 7,535	\$ 122	\$ -
	Bonds	1,933	1,406	6,277	11,739	80,481
	Due from banks	334	-	-	-	-
	Call loans	1,023	-	-	-	-
	Securities purchased under agreement to resell	100	100	-	-	-
	Total	49,677	44,861	13,812	11,861	80,481
Cash provided by	Borrowing	17,323	-	-	-	-
	Securities sold under agreement to repurchase	135,881	24,552	690	90	-
	Eligible capital	-	-	-	-	22,437
	Total	153,204	24,552	690	90	22,437
Net cash flows		(103,527)	20,309	13,122	11,771	58,044
Accumulated cash flows		(103,527)	(83,218)	(70,096)	(58,325)	(281)

q. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	December 31, 2017	December 31, 2016
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million dollars	None	None
Other	None	None

Note: The term "within the past year" means one year before the balance sheet date.

53.ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and b. Names, locations, and other information of investees on which the bank exercises significant influence.

1) Financing provided: The Company - not applicable; investee - Table 1 (attached)

2) Endorsement/guarantee provided: The Company - not applicable; investee - Table 2 (attached)

3) Marketable securities held: The Company - not applicable; investee - Table 3 (attached)

4) The amount of buying or selling stocks for joint venture is at least \$300 million or 10% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least \$5 million: None

8) Receivables from related parties amounting to at least \$300 million or 10% of the paid-in capital: None

9) Sale of nonperforming loans: None

10) Information of applying for authorization of securitized product type according to the "Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization": None

11) Other significant transactions which may affect the decisions of users of individual financial reports: None

12) Related information and total stockholding circumstances of "Name, locations and other information of investees on which the Bank exercises significant influence." Table 5 (attached)

13) Derivative instrument transactions: Note 8

b. Investment in Mainland China: Table 6 (attached)

54. OPERATING SEGMENT FINANCIAL INFORMATION

The Company provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4 the same significant accounting policies. The Company shall be reported to the operating divisions are as follows:

- a. Bank: Business ruled in Law of Bank Article 71 (before December 31, 2016, business ruled in Regulations Governing the Establishment Criteria and Administrating of the Industrial Bank Article 5).
- b. Overseas: Overseas banking business.
- c. Securities: Securities-related business approved by the competent authority (regarded as discontinued operations in 2016, referring to Note 15).
- d. Bills: Bills related Business approved by the competent authority.
- e. Others: Other non-core businesses.

The following was an analysis of the Company's revenue and results by reportable segment.

	Bank	Overseas	Securities	Bills	Others	Eliminations	Consolidated
For the year ended December 31, 2017							
Net interest							
From unaffiliated segment	\$ 1,995,285	\$ 883,994	\$ -	\$ 1,008,206	\$ 691,232	\$ 13,458	\$ 4,592,175
From other segment	(19,068)	-	-	13,463	1,320	4,285	-
	<u>\$ 1,976,217</u>	<u>\$ 883,994</u>	<u>\$ -</u>	<u>\$ 1,021,669</u>	<u>\$ 692,552</u>	<u>\$ 17,743</u>	<u>\$ 4,592,175</u>
Net revenue other than interest							
From unaffiliated segment	\$ 1,799,487	\$ 64,618	\$ -	\$ 1,073,277	\$ 389,325	-	\$ 3,326,707
From other segment	35,031	-	-	-	-	(55,480)	(20,449)
	<u>\$ 1,834,518</u>	<u>\$ 64,618</u>	<u>\$ -</u>	<u>\$ 1,073,277</u>	<u>\$ 389,325</u>	<u>\$ (55,480)</u>	<u>\$ 3,306,258</u>
Segment profits	<u>\$ 1,072,080</u>	<u>\$ 232,059</u>	<u>\$ -</u>	<u>\$ 1,351,064</u>	<u>\$ 133,345</u>	<u>\$ (676,661)</u>	<u>\$ 2,111,887</u>
Identifiable assets	<u>\$280,800,446</u>	<u>\$ 25,220,623</u>	<u>\$ 996,603</u>	<u>\$220,412,404</u>	<u>\$ 16,105,969</u>	<u>\$ (2,964,025)</u>	<u>\$540,572,020</u>
Depreciation and amortization	<u>\$ 265,925</u>	<u>\$ 17,827</u>	<u>\$ -</u>	<u>\$ 8,697</u>	<u>\$ 21,315</u>	<u>\$ -</u>	<u>\$ 313,764</u>
Capital expenditure	<u>\$ 446,141</u>	<u>\$ 24,914</u>	<u>\$ 27</u>	<u>\$ 4,550</u>	<u>\$ 22,008</u>	<u>\$ -</u>	<u>\$ 497,640</u>

(Continued)

	Bank	Overseas	Securities	Bills	Others	Eliminations	Consolidated
For the year ended December 31, 2016							
Net interest							
From unaffiliated segment	\$ 2,094,369	\$ 878,502	\$ -	\$ 525,442	\$ 661,263	\$ (8,139)	\$ 4,151,437
From other segment	(10,471)	-	-	5,660	1,594	3,217	-
	<u>\$ 2,083,898</u>	<u>\$ 878,502</u>	<u>\$ -</u>	<u>\$ 531,102</u>	<u>\$ 662,857</u>	<u>\$ (4,922)</u>	<u>\$ 4,151,437</u>
Net revenue other than interest							
From unaffiliated segment	\$ 1,451,996	\$ 79,550	\$ -	\$ 1,781,392	\$ 248,603	\$ (722)	\$ 3,560,819
From other segment	47,358	-	-	-	-	(44,877)	2,481
	<u>\$ 1,499,354</u>	<u>\$ 79,550</u>	<u>\$ -</u>	<u>\$ 1,781,392</u>	<u>\$ 248,603</u>	<u>\$ (45,599)</u>	<u>\$ 3,563,300</u>
Segment profits	<u>\$ 1,643,898</u>	<u>\$ 287,148</u>	<u>\$ -</u>	<u>\$ 1,633,518</u>	<u>\$ (92,484)</u>	<u>\$ (730,037)</u>	<u>\$ 2,742,043</u>
Identifiable assets	<u>\$250,912,169</u>	<u>\$ 27,596,101</u>	<u>\$ 1,086,695</u>	<u>\$203,339,091</u>	<u>\$ 14,576,969</u>	<u>\$ (734,256)</u>	<u>\$496,776,769</u>
Equity investments - equity method							107,981
							<u>\$496,884,750</u>
Depreciation and amortization	<u>\$ 145,107</u>	<u>\$ 18,926</u>	<u>\$ -</u>	<u>\$ 9,829</u>	<u>\$ 27,997</u>	<u>\$ -</u>	<u>\$ 201,859</u>
Capital expenditure	<u>\$ 1,058,531</u>	<u>\$ 2,728</u>	<u>\$ 3,465</u>	<u>\$ 7,247</u>	<u>\$ 12,611</u>	<u>\$ -</u>	<u>\$ 1,084,582</u>
							(Concluded)

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2017

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount
1	IBT Leasing	Shang Sheng Construction Corp.	Account receivable - short-term accommodations	No	\$ 114,572	\$ 90,000	\$ -
		General Energy Solutions	Account receivable - short-term accommodations	No	30,000	15,730	15,730
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	30,660	20,952	20,952
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	30,000	23,591	23,591
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	30,000	23,591	23,591
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	50,000	33,968	33,968
		Teroko Textile Corp.	Account receivable - short-term accommodations	No	109,200	46,667	46,667
		Inhon International Corp.	Account receivable - short-term accommodations	No	50,000	47,506	47,506
		Kuang Ming Shipping Corp.	Account receivable - short-term accommodations	No	100,000	96,700	96,700
		Lei Xin Construction	Account receivable - short-term accommodations	No	130,000	112,960	112,960
		Power Home Construction	Account receivable - short-term accommodations	No	150,000	150,000	150,000
		Sanyueh Development Co., Ltd.	Account receivable - short-term accommodations	No	165,000	165,000	165,000
2	IBT International Leasing Corp.	Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	6,880	5,785	5,785
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	13,760	10,157	10,157
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	38,987	32,780	32,780
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	68,801	55,801	55,801
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	77,974	57,557	57,557
		Qing Dao Lian Sheng Industry Corp	Entrusted loans	No	366,936	183,468	183,468
		San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	No	229,335	224,002	224,002
3	IBT Tianjin International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	No	68,801	67,200	67,200

Note 1: Explanation:

a. Issuing entity: 0.

b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business "1"; short-term financial intermediation "2".

Note 3: IBT Leasing loaned to individual company was limited by 10% net assets. IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. loaned

Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing's net assets, and each issuing entity's total amount of loans was limited to 70% limited to 100% of the corporation net assets.

TABLE 1

(In Thousands of New Taiwan Dollars)

Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
					Item	Value			
2-8	2	\$ -	Working capital turnover	\$ -	Real estate	\$ 119,639	\$ 211,171	\$ 844,682	
2-8	2	-	Working capital turnover	206	Margin	2,000	211,171	844,682	
2-8	2	-	Working capital turnover	120	Margin	5,000	211,171	844,682	
2-8	1	30,000	Working capital turnover	177	Real estate	24,288	211,171	2,111,705	
2-8	2	-	Working capital turnover	177	Real estate	24,288	211,171	844,682	
2-8	1	50,000	Working capital turnover	132	Margin	7,500	211,171	2,111,705	
2-8	2	-	Working capital turnover	700	Stock	-	211,171	844,682	
2-8	2	-	Working capital turnover	1,219	Margin	10,000	211,171	844,682	
2-8	2	-	Working capital turnover	1,451	-	-	211,171	844,682	
2-8	2	-	Working capital turnover	3,671	Real estate	124,389	211,171	844,682	
2-8	2	-	Working capital turnover	2,250	Real estate	134,722	211,171	844,682	
2-8	2	-	Working capital turnover	2,475	Real estate	88,310	211,171	844,682	
6-16	2	-	Working capital turnover	130	Real estate	26,644	419,140	733,494	
6-16	2	-	Working capital turnover	229	Real estate	91,734	419,140	733,494	
6-16	1	38,987	Working capital turnover	738	Real estate	26,644	419,140	1,047,849	
6-16	2	-	Working capital turnover	1,256	Real estate	42,812	419,140	733,494	
6-16	1	77,974	Working capital turnover	1,295	Real estate	91,734	419,140	1,047,849	
6-16	1	366,936	Working capital turnover	4,128	Real estate	183,468	419,140	1,047,849	
6-16	2	-	Working capital turnover	1,674	Real estate	229,459	419,140	733,494	
9-11	2	-	Working capital turnover	674	Real estate	137,601	160,099	280,174	

to individual company was limited by 40% net assets.

of IBT International Leasing Corp.'s and IBT Tianjin International Leasing Corp.'s net assets. The loan mentioned formerly which belongs to business transactions is

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2017

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period
		Name	Relationship			
1	IBT Leasing	IBT International Leasing Corp.	Subsidiaries	\$ 17,116,029	\$ 10,368,575	\$ 9,923,942
		IBT Tianjin International Leasing Corp.	Subsidiaries	17,116,029	4,483,762	4,447,359

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

- Trading partner.
- Directly owns over 50% of ordinary shares of subsidiary.
- The Company and subsidiary own over 50% ownership of the investee company.
- A subsidiary jointly owned by the Company and the Company's directly-owned subsidiary.
- Guaranteed by the Company according to the construction contract.
- An investee company, for which the guarantees were provided based on the Company's proportionate share in the investee company.

Note 2: Based on the Company's guidelines, the maximum amount of guarantee to IBT International Leasing Corp. is up to eight times of the Company's net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the Company is up to twelve times of the Company's net value.

Note 3: The endorsement belongs to the grandson company for IBT International Leasing Corp.

TABLE 2

(In Thousands of New Taiwan Dollars)

Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
\$ 7,876,100	\$ -	463.84	\$ 25,674,043	N	N	Y
641,249	-	207.87	25,674,043	N	N	Y

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2017

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company
IBT Holdings	<u>Stocks</u> EverTrust Bank	Equity-method investee
IBT Management Corp.	<u>Funds</u> Taishin Ta-Chong Money Market Fund Uni Money Market Fund <u>Stocks</u> Gatetech Technology Co., Ltd. ARC Solid-state Lighting Corp.	- - - -
IBT Leasing Co., Ltd.	<u>Stocks</u> IBT International Leasing Corp. IBT Tianjin International Leasing Corp. IBT VII Venture Capital Co., Ltd.	Equity-method investee Equity-method investee Equity-method investee
IBT VII Venture Capital Co., Ltd.	<u>Stocks</u> IBT Tianjin International Leasing Corp. EirGenix Co., Ltd. TAIRX Corp. Meridigen Corp. Femcosteel Tech Co., Ltd. Shihlian China Holdings Corp.	Equity-method investee - - - - -

Note 1: The net asset values of cost-method investees are based on the latest unaudited financial statements; for those that financial statements cannot be obtained are listed by cost.

Note 2: The net asset values of equity-method investees are based on the audited financial statements offered by certified public accountant.

TABLE 3

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Statement Account	December 31, 2017				Note
	Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Equity investment equity method	10,714	US\$ 149,411	91.78	US\$ 149,411	Note 2
Financial asset at fair value through profit or loss	750	10,139	-	10,139	
Financial asset at fair value through profit or loss	803	10,126	-	10,126	
Financial asset carried at cost	78	779	0.18	779	Note 1
Financial asset carried at cost	50	100	0.20	100	Note 1
Equity investment equity method	-	1,249,251	100.00	1,249,251	Note 2
Equity investment equity method	-	158,414	39.00	158,414	Note 2
Equity investment equity method	65,000	581,943	100.00	581,943	Note 2
Equity investment equity method	-	256,820	61.00	247,775	Note 2
Available-for-sale financial asset	1,247	24,940	2.56	31,611	
Financial asset carried at cost	1,842	44,208	3.44	44,190	
Financial asset carried at cost	1,000	20,000	1.86	20,000	Note 1
Financial asset carried at cost	1,498	29,984	4.49	29,984	Note 1
Financial asset carried at cost	1,171	29,777	0.04	29,777	Note 1

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS

DECEMBER 31, 2017 AND 2016

Period			December 31, 2017		
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)
Corporate banking	Secured		\$ 415,307	\$ 68,463,348	0.61%
	Unsecured		-	91,147,921	-
Consumer banking (Note 5)	Housing mortgage (Note 4)		-	5,001,783	-
	Cash card				
	Small-scale credit loans		135	559,979	0.02%
	Other	Secured			
		Unsecured			
	Total			415,442	165,173,031
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables
Credit cards					
Factoring accounts receivable without recourse (Note 6)			-	4,592,967	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: By December 31, 2016, The Bank was still an industrial bank, so there were no other consuming financial banking loans and credit card business except for the employees' housing mortgage loans.

Note 6: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factoring accounts receivable without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 7: The Bank has no executed contracts on negotiated debts not reported as nonperforming loans or receivables and discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans or receivables.

TABLE 4

(In Thousands of New Taiwan Dollars, %)

		December 31, 2016				
Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
\$ 814,680	196.16%	\$ 28,323	\$ 52,263,816	0.05%	\$ 612,772	2,163.51%
1,520,555	-	-	93,842,037	-	1,552,942	-
75,027	-	-	-	-	-	-
		NA	NA	NA	NA	NA
5,627	4,168.15%	NA	NA	NA	NA	NA
		NA	NA	NA	NA	NA
		NA	NA	NA	NA	NA
2,415,889	581.52%	28,323	146,105,853	0.02%	2,165,714	7,646.49%
Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
		NA	NA	NA	NA	NA
51,390	-	-	3,514,421	-	39,498	-

O-BANK AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2017

Investee Company	Location	Main Business
<u>Financial institution</u>		
Equity investment - equity method		
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities
IBT Holdings Corp.	California, America	Holding company
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company
<u>Non-financial institution</u>		
Equity investment - equity method		
IBT II Venture Capital Co., Ltd.	Taipei City, Taiwan	Venture capital
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting
IBT Management Corp.	Taipei City, Taiwan	Securities investment trust
Available-for-sale financial assets		
Neo Solar Power Corporation	Hsinchu City, Taiwan	Solar industry
Okbiotech Co., Ltd.	Hsinchu City, Taiwan	Biotech medical treatment
Formosa Plastics Corporation	Kaohsiung City, Taiwan	Nonmetal mining
Formosa Chemicals & Fiber Corporation	Changhua City, Taiwan	Chemical industry
Kung Lung Batteries Industrial.	Nantou City, Taiwan	Chemical petroleum material manufacturing
ASE Semiconductor Manufacturing Group, Ltd.	Kaohsiung City, Taiwan	Semiconductor
Taiwan Semiconductor Manufacturing Company, Limited	Hsinchu City, Taiwan	Integrated circuit manufacturing
Formosa Petrochemical Co., Ltd.	Taipei City, Taiwan	Chemical industry
Hon Hai Precision Ind. Co., Ltd.	New Taipei City, Taiwan	Electronic component manufacturing
Chunghwa Telecom Co., Ltd.	Taipei City, Taiwan	Telecommunication
Cathay Financial Holdings	Taipei City, Taiwan	Financial Holdings
Mega Financial Holdings	Taipei City, Taiwan	Financial insurance
CTBC Financial Holdings	Taipei City, Taiwan	Financial Holdings
Novatech Microelectronics Corp.	Hsinchu City, Taiwan	Semiconductor
Taiwan Mobile Co., Ltd.	Taipei City, Taiwan	Telecommunication
Sercomm Corporation	Taipei City, Taiwan	Electronic component manufacturing
Brave C&H Supply Co., Ltd.	Taoyuan City, Taiwan	Steel board printing
Vanguard International Semiconductor Corporation	Hsinchu City, Taiwan	Electronic component manufacturing
Reber Genetics Co., Ltd.	Taipei City, Taiwan	Biotech research and development
TTBIO Corp.	Taichung City, Taiwan	Medical equipment manufacturing
Powertip Image Corporation	Taichung City, Taiwan	Electronic component manufacturing
Nanpao Resins Co., Ltd.	Tainan City, Taiwan	Manufacture and sale of synthetic resin
Thevax Genetics Vaccine Co., Ltd.	Taipei City, Taiwan	Cancer vaccine development
Mosa Industrial Corporation	Yunlin County, Taiwan	Equipment manufacturing
TaiRx	Taipei City, Taiwan	Biotech research and development
Vietnam (VNI)	Cayman Island	Venture capital

TABLE 5

(In Thousands of U.S. Dollars and New Taiwan Dollars)

(in Thousands of U.S. Dollars and New Taiwan Dollars)							
Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Consolidated Investment				Note
			Shares (Thousands)	Pro-forma Share of Ownership	Total		
					Shares (Thousands)	Percentage of Ownership	
28.37	\$ 6,464,888	\$ 383,281	382,531	-	382,531	28.48	
100.00	4,496,478	212,896	10,869	-	10,869	100.00	
100.00	2,130,458	132,434	264,300	-	264,300	100.00	
31.25	-	3,782	17,069	-	17,069	54.17	
99.75	893,751	(49,738)	318,281	-	318,281	99.75	
100.00	234,015	911	13,400	-	13,400	100.00	
0.20	27,460	-	1,997	-	1,997	0.20	
0.83	17,034	-	544	-	544	0.83	
0.02	122,585	-	1,242	-	1,242	0.02	
0.03	161,607	-	1,569	-	1,569	0.03	
0.24	28,700	-	200	-	200	0.24	
0.05	152,600	-	4,000	-	4,000	0.05	
0.00	275,400	-	1,233	-	1,233	0.00	
0.00	23,100	-	208	-	208	0.00	
0.03	514,080	-	5,436	-	5,436	0.03	
0.01	74,200	-	707	-	707	0.01	
0.00	19,260	-	377	-	377	0.00	
0.04	120,250	-	5,001	-	5,001	0.04	
0.02	67,650	-	12,182	-	12,182	0.06	
0.19	128,028	-	1,128	-	1,128	0.19	
0.10	382,055	-	3,554	-	3,554	0.10	
0.20	40,995	-	484	-	484	0.20	
1.53	16,624	-	465	-	465	1.53	
0.02	19,800	-	300	-	300	0.02	
3.13	26,006	-	3,481	-	3,481	4.69	
7.48	59,409	-	1,799	-	1,799	7.48	
6.27	14,443	-	1,987	-	1,987	6.27	
0.19	28,238	-	201	-	201	0.19	
1.13	52,920	-	1,008	-	1,008	1.13	
1.65	63,363	-	2,565	-	2,565	1.65	
5.24	84,613	-	3,527	-	3,527	5.24	
-	21,774	-	1,500	-	1,500	-	

(Continued)

Investee Company	Location	Main Business
Financial asset carried at cost		
Progate Group Corporation	Taipei City, Taiwan	Wholesale of electronic materials
Intumit Inc.	New Taipei City, Taiwan	Information system wholesaler and retailer
Chipwell Tech Corporation	Hsinchu City, Taiwan	Electronic component manufacturing
Knowledge Freeway Co., Ltd.	Taipei City, Taiwan	Information system wholesaler and retailer
ADL Engineering Co., Ltd.	Hsinchu County, Taiwan	Electronic component manufacturing
Ori Vita Bio Application, Inc.	New Taipei City, Taiwan	Biological-technology service industry
Parawin Venture Capital Corp.	Taipei City, Taiwan	Venture capital
Krom Electronics Co., Ltd.	Taipei City, Taiwan	Computer and electronic component manufacturing
Luminous Town Electric Co., Ltd.	Kaohsiung County, Taiwan	Electronic component manufacturing
Taiwan Hi-Tech Corp.	Hsinchu City, Taiwan	Electronic component manufacturing
Gatetech Technology Inc.	Taoyuan City, Taiwan	Precision casting and seller
Echem Solutions Corp.	Taoyuan City, Taiwan	Wholesale of electronic materials
Arc Solid-State Lighting Corporation	New Taipei City, Taiwan	Electronic component and optical instruments manufacturing
Joyin Co., Ltd.	Taipei City, Taiwan	Electronic component manufacturing
Nisho Image Tech, Inc.	New Taipei City, Taiwan	L.E.D. printer output
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry
Kaohsiung Rapid Transit Corporation	Kaohsiung City, Taiwan	Transportation
Biotechnology Development Fund II	America	Venture capital
Anchor Semiconductor, Inc.	America	Software development
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical Industries
Dio Investment Ltd.	Cayman Island	Coffee retail
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing
BioResource International Inc.	America	Agricultural biotechnology industry
Topping Cuisine International Holdings Limited	Cayman Island	Retail restaurant management
Beauty Essentials International Ltd. (Samoa)	Samoa	Cosmetic products wholesale

Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Consolidated Investment				Note
			Shares (Thousands)	Pro-forma Share of Ownership	Total		
					Shares (Thousands)	Percentage of Ownership	
4.35	\$ 19,476	\$ -	1,444	-	1,444	4.35	
5.95	7,122	-	1,385	-	1,385	9.36	
2.61	3,397	-	391	-	391	2.61	
19.20	11,239	-	1,256	-	1,256	25.11	
0.09	342	-	19	-	19	0.09	
2.03	41,518	-	4,152	-	4,152	2.03	
5.00	21,868	-	2,187	-	2,187	5.00	
0.93	5,928	-	311	-	311	0.93	
0.90	6,972	-	601	-	601	0.90	
2.19	9,524	-	1,000	-	1,000	2.19	
1.78	7,011	-	779	-	779	1.78	
2.41	18,326	-	1,187	-	1,187	2.41	
4.07	1,900	-	1,000	-	1,000	4.07	
3.83	32,000	-	2,492	-	2,492	3.83	
0.91	4,961	-	410	-	410	0.91	
0.50	3,000	-	300	-	300	0.50	
1.38	39,703	-	3,845	-	3,845	1.38	
-	5,660	-	-	-	-	0.00	
3.09	16,399	-	1,000	-	1,000	3.09	
1.39	227,528	-	52,182	-	52,182	1.39	
8.82	74,687	-	6,997	-	6,997	8.82	
2.18	60,030	-	244	-	244	2.18	
5.72	59,996	-	1,105	-	1,105	5.72	
2.17	35,018	-	500	-	500	2.17	
2.41	63,500	-	25,974	-	25,974	2.41	

(Concluded)

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2017

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	\$ 23,883,598 (US\$ 800,000)	Note 1 c.	\$ 205,936 (US\$ 6,898)
Shinlien Brine Huaian Co.	Production of glass materials	955,344 (US\$ 32,000)	Note 1 c.	9,942 (US\$ 333)
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	573,206 (US\$ 19,200)	Note 1 c.	68,456 (US\$ 2,293)
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	249,060 (RMB 54,300)	Note 1 c.	59,709 (US\$ 2,000)
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	129,270 (US\$ 4,330)	Note 1 c.	17,465 (US\$ 585)
Topping Cuisine International Holding, Ltd.	Food retailing	155,243 (US\$ 5,200)	Note 1 c.	17,465 (US\$ 585)
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,971 (US\$ 200)	Note 1 c.	119 (US\$ 4)
Beauty Essential International, Ltd.	Cosmetic retailing	89,563 (US\$ 3,000)	Note 1 c.	23,466 (US\$ 786)

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$402,558 (US\$13,484)	\$402,558 (US\$13,484)	Note 3

TABLE 6

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
Outflow	Inflow					
\$ -	\$ -	\$ 205,936 (US\$ 6,898)	1.39	\$ -	\$ 205,936 (US\$ 6,898)	\$ -
-	-	9,942 (US\$ 333)	1.39	-	9,942 (US\$ 333)	-
-	-	68,456 (US\$ 2,293)	2.09	-	68,456 (US\$ 2,293)	-
-	-	59,709 (US\$ 2,000)	2.18	-	59,709 (US\$ 2,000)	-
-	-	17,465 (US\$ 585)	2.17	-	17,465 (US\$ 585)	-
-	-	17,465 (US\$ 585)	2.17	-	17,465 (US\$ 585)	-
-	-	119 (US\$ 4)	2.17	-	119 (US\$ 4)	-
-	-	23,466 (US\$ 786)	2.64	-	23,466 (US\$ 786)	-

(Continued)

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017
IBT International Leasing Corp.	Leasing	\$ 895,635 (US\$ 30,000)	Note 1 d.	\$ 895,635 (US\$ 30,000)
IBT Tianjin International Leasing Corp. Note 6	Leasing	597,090 (US\$ 20,000)	Note 1 d.	232,865 (US\$ 7,800)

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,128,500 (US\$37,800)	\$1,128,500 (US\$37,800)	Note 4

IBT Leasing

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017
IBT Tianjin International Leasing Corp.	Leasing	\$ 597,090 (US\$ 20,000)	Note 1 d.	\$ 364,225 (US\$ 12,200)

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$364,225 (US\$12,200)	\$364,225 (US\$12,200)	\$349,166

Note 1: There were five investment approaches stated as follows.

- a. Investment in Mainland China by remittance via a third country.
- b. Indirect investment in Mainland China via setting a company in a third country.
- c. Indirect investment in Mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- d. Direct investment in Mainland China.
- e. Others.

Note 2: Investment gain or loss.

- a. No investment gain or loss for the reason of being under preparation.
- b. Recognition of investment gain or loss is classified as follows.
 - 1) From financial statements reviewed by international accounting firms in cooperation with accounting firms in the Republic of China.
 - 2) From financial statements reviewed by certified public accountants of parent company in Taiwan.
 - 3) Others.

Note 3: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2017, so it is not under “the regulation of investing or technology-cooperation in China”,

Note 4: IBT Leasing Co., Ltd. got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2017, so it is not under “the regulation of investing or technology-cooperation in China”;

Note 5: IBT Leasing Co., Ltd. holds 39% stock of IBT Tianjin International Leasing Corp. directly and 61% indirectly through IBT VII Venture Capital Co., Ltd.

Note 6: The accumulated investment amount, profit or loss recognized during the period and the investment book value at the end of the period of IBT Tianjin International Leasing Corp. are recognized by IBT Leasing Co., Ltd. for 39% equity.

Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
Outflow	Inflow					
\$ -	\$ -	\$ 895,635 (US\$ 30,000)	100.00	\$ 197,875 (Note 2)	\$ 1,249,251	\$ -
-	-	232,865 (US\$ 7,800)	100.00 (Note 5)	2,276 (Note 2)	158,414	-

Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
Outflow	Inflow					
\$ -	\$ -	\$ 364,225 (US\$ 12,200)	61.00	\$ 3,560 (Note 2)	\$ 256,820	\$ -

(Concluded)

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1: Three types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

5. Any Financial Distress Experienced by the Company or Its affiliated Enterprises and Impact on the Company's Financial Status, in the Latest Year Up Till the Publication Date of This Annual Report: None.

TABLE 7

(In Thousands of New Taiwan Dollars)

Description of Transactions			
Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
Deposits	\$ 2,900,852	Note 2	0.54
Interest expense	19,069	Note 2	0.24
Accounts payable	5,904	Note 2	-
Other non-interest net revenues	35,493	-	0.45
Cash and cash equivalents	340,896	Note 2	0.06
Interest revenue - discontinued operations	1,703	Note 2	0.02
Account receivable	1,126	Note 2	0.01
Other operating and administrative expense - discontinued operations	921	-	0.01
Account receivable	66	Note 2	-
Cash and cash equivalents	208,273	Note 2	0.04
Interest revenue	851	Note 2	0.01
Other operating and administrative expense	923	Note 2	0.01
Consultancy fee revenue	6,288	Note 2	0.08
Held for trading financial assets	2,000,000	Note 2	0.37
Variation of fair value from financial assets	13,458	Note 2	0.17
Account receivable	4,261	Note 2	-
Other operating and administrative expense	\$ 33,649	-	0.43
Interest revenue	5	Note 2	-
Cash and cash equivalents	51	Note 2	-
Cash and cash equivalents	244,465	Note 2	0.05
Interest revenue - discontinued operations	2,583	Note 2	0.03
Account receivable	402	Note 2	-
Cash and cash equivalents	1,504	Note 2	-
Interest revenue	2	Note 2	-
Cash and cash equivalents	105,662	Note 2	0.02
Interest revenue	467	Note 2	0.01
Account receivable	49	Note 2	-
Other operating and administrative expense	6,288	-	0.08
Other non-interest net revenues	242	-	-
Other operating and administrative expense - discontinued operations	242	-	-

VII. Review of Financial Conditions, Operation Results, and Risk Management

1. Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2017	2016	Difference	
				Amount	Percentage (%)
CASH AND CASH EQUIVALENTS		2,404,565	2,729,826	(325,261)	(12)
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		10,610,821	15,135,340	(4,524,519)	(30)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		44,703,932	39,538,632	5,165,300	13
RECEIVABLES, NET		5,891,803	4,690,507	1,201,296	26
CURRENT TAX ASSETS		54,922	55,293	(371)	(1)
DISCOUNTS AND LOANS, NET		162,757,142	143,940,139	18,817,003	13
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET		48,598,498	32,628,260	15,970,238	49
HELD-TO-MATURITY FINANCIAL ASSETS		499,821	5,544,703	(5,044,882)	(91)
INVESTMENTS MEASURED BY EQUITY METHOD		14,219,590	14,242,663	(23,073)	0
OTHER FINANCIAL ASSETS, NET		777,105	1,039,445	(262,340)	(25)
PROPERTY AND EQUIPMENT, NET		2,864,155	3,524,300	(660,145)	(19)
INTANGIBLE ASSETS, NET		1,248,176	248,507	999,669	402
DEFERRED TAX ASSETS, NET		138,133	79,550	58,583	74
OTHER ASSETS, NET		251,373	1,757,667	(1,506,294)	(86)
TOTAL ASSETS		295,020,036	265,154,832	29,865,204	11
DEPOSITS FROM THE CENTRAL BANK AND BANKS		34,894,919	41,875,141	(6,980,222)	(17)
DUE TO THE CENTRAL BANK AND BANKS		700,106	2,349,989	(1,649,883)	(70)
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT		15,845,930	2,091,749	13,754,181	658
ACCOUNTS PAYABLES		4,100,342	2,705,487	1,394,855	52
CURRENT TAX LIABILITIES		91,977	-	91,977	100
DEPOSITS AND REMITTANCES		183,021,391	164,056,836	18,964,555	12
BANK NOTES PAYABLE		20,400,000	17,450,000	2,950,000	17
OTHER FINANCIAL LIABILITIES		5,997,782	4,648,821	1,348,961	29
PROVISIONS		241,454	176,479	64,975	37
DEFERRED TAX LIABILITIES		215,911	239,307	(23,396)	(10)
OTHER LIABILITIES		227,631	172,365	55,266	32
TOTAL LIABILITIES		265,737,443	235,766,174	29,971,269	13
CAPITAL STOCK		24,130,063	23,905,063	225,000	1
CAPITAL SURPLUS		7,730	3,193	4,537	142
RETAINED EARNINGS		5,124,400	5,195,687	(71,287)	(1)
OTHER EQUITY		20,400	284,715	(264,315)	(93)
TOTAL EQUITY		29,282,593	29,388,658	(106,065)	0

-
1. Due from the central bank and call loans to banks is lower than that of the previous year mainly due to a decrease in a demand of the call loans to banks.
 2. Net of account receivable is over than that of the previous year mainly due to an increase of the amount of the account factoring receivable.
 3. The available-for-sale financial assets are over than that of the previous year mainly due to an increase in investment of bonds.
 4. Held-to-maturity financial assets are lower than that of the previous year mainly due to expirations of NCDs one after another.
 5. Net of other financial assets is lower than that of the previous year mainly due to disposition of stock investments.
 6. Intangible assets are over than that of the previous year mainly due to an increase in cost of software.
 7. Deferred income tax assets are over than that of the previous year mainly due to an increase in income tax payable in the future because of the fiscal law of tax differences.
 8. Other assets are lower than that of the previous year mainly due to a decrease in refundable deposits.
 9. Financial liabilities at fair value through profit or loss are lower than that of the previous year mainly due to a decrease in derivatives trading.
 10. Securities sold under repurchase agreements are over than that of the previous year mainly due to an increase in trading of bonds issued under repurchase agreement.
 11. Accounts payables are over than that of the previous year mainly due to an increase in accounts payable factoring and accounts payable for settlement.
 12. Current tax liabilities are lower than that of the previous year mainly due to an increase in the tax.
 13. Other financial liabilities are over than that of the previous year mainly due to an increase in appropriated loan fund.
 14. Provisions are over than that of the previous year mainly due to an increase in provisions for guarantee liabilities because of increased guaranteed services.
 15. Other liabilities are over than that of the previous year mainly due to an increase in guarantee deposits received.
 16. Capital surplus are over than that of the previous year mainly due to a starting of employees' subscriptions.
 17. Other equity is lower than that of the previous year mainly due to an increase in unrealized gains on valuation of available-for-sale financial assets and a decrease in cumulative conversion adjustments with equity method.
-

2. Analysis of Operation Results

Unit: NT\$ thousands

Item	Year	2017		2016		Change Amount	Change Ratio (%)
		Subtotal	Total	Subtotal	Total		
Interest revenue			4,138,029		3,629,099	508,930	14
Less: Interest expenses			2,161,812		1,545,201	616,611	40
Net interest revenue			1,976,217		2,083,898	(107,681)	(5)
Non-interest revenue							
Net revenues of service fees		656,229		823,615			
Financial assets at fair value through profit or loss		(540,380)		589,819			
Available-for-sale financial assets-realized		394,922		291,754			
Net foreign exchange		1,244,443		(273,333)			
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method-Net		695,405		735,478			
Financial Assets Carried at Cost-realized		1,072		46,866			
Net other interest revenue		78,232		20,633			
Net Non-interest revenue			2,529,923		2,234,832	295,091	13
Net income			4,506,140		4,318,730	187,410	4
Bad debt expenses and guarantee liability provisions (miscellaneous provision)			534,168		409,498	124,670	30
Operating expenses							
Employee welfare costs		1,571,449		1,276,638			
Depreciation and Amortization expenses		265,925		145,108			
Other general and administrative expenses		908,815		630,902			
Total operating expenses			2,746,189		2,052,648	693,541	34
Profit from continuing operations before income tax			1,225,783		1,856,584	(630,801)	(34)
Tax expense			153,703		212,686	(58,983)	(28)
Profit			1,072,080		1,643,898	(571,818)	(35)

Analysis of the changes:

1. The interest expense is over than that of the previous year mainly due to an increase in the amount of deposits.
2. The bad debt expense and guarantee liability provision are over than that of the previous year mainly due to an increase in the amount of loans and guarantee business.
3. The operating expense is over than that of the previous year mainly due to an increase in the number of employees and an increase in the amount of the advertising expense.
4. Tax expense is lower than that of the previous year mainly due to a decrease in the tax.

3. Analysis of Cash Flow

(1) Analysis of Changes of Cash Flow in the Most Recent Year:

- A. Operating Activities: There is an increase of NT\$274,771,000 in the net cash outflows used in operating activities than that of the previous year and that was mainly due to an increase in investments held for trading and loans.
- B. Investment Activities: There is an increase of NT\$14,296,087,000 in the net cash outflows used in operating activities than that of the previous year and that was mainly due to proceeds from disposal of financial assets, proceeds from repayments of financial assets and proceeds from capital reduction of subsidiaries accounted for using equity method in the past year.
- C. Financing Activities: There is an increase of NT\$2,593,872,000 in the net cash inflows from financing activities than that of the previous year and that was mainly due to an increase in proceeds from issuing bank notes payable and an increase in lending cumulative earnings on appropriated loan fund.

(2) Improvement Plan of Insufficient Liquidity: Not Applicable.

(3) Analysis of Cash Flow for the Coming Year:

Unit: NT\$ thousands

Amounts of cash and cash equivalents- beginning of period	Estimated annual net cash flows from (used in) operating activities	Estimated inflows(outflows) of cash and cash equivalents	Estimated fiscal deficit(surplus) of cash and cash equivalents	Remedy if cash and cash equivalents in deficit	
				Investment plan	Financing plan
6,806,518	1,304,644	(1,160,909)	6,950,253	-	-

4. Major Capital Expenditure Items and Effect on The Company's Future Business: Not Applicable.

5. Investment Policy in Last Year, Main Causes of Profits or Losses, and Improvement and Investment Plans for the Coming Year

Responding to trends and changes in the domestic and regional financial environments, this Bank makes "increased diversity and stability of profits" and "an investment portfolio with a stable risk-return trade-off" the keynotes of its investment strategy and relies on investment in financial-related enterprises in Taiwan and abroad to reduce fluctuations in the value of its investment portfolio. This is consistent with mainstream risk management thinking in the financial industry. Following the Bank's restructuring into a commercial bank, relevant investment plans have been handled in accordance with Article 74 of the *Banking Act*, as well as regulations that impose investment limits upon commercial banks. Thus, the Bank's investment portfolio has been adjusted continuously in recent years. Apart from disposing of holdings in directly invested productive enterprises, the Bank has also done the same with such venture capital subsidiaries as Boston Life Science Venture Corp., IBT II Venture Capital Co., Ltd., and IBT VII Venture Capital Co., Ltd. In September 2016, the Bank completed transferring the brokerage business of IBT Securities Co., Ltd., followed by the start of the latter's liquidation in November of the same year. In the days ahead, the Bank is set to gradually dispose of its other investment positions in accordance with applicable laws and regulations within the statutory time period.

All in all, the businesses in which the Bank has invested under the equity method have scored handsome earnings. In particular, U.S.-based EverTrust Bank has continued to fare admirably, with net income reaching NT\$230 million in 2017. China Bills Finance Corp., another affiliate of the O-Bank Group, recorded net income of NT\$1.35 billion for the year. In addition, thanks to IBT International Leasing Corp.'s significantly increased sales momentum, the O-Bank Group's leasing business managed to return to profitability and came up with net income of NT\$130 million in 2017. Moreover, IBT International Leasing Corp. stands out as the only Taiwanese company to have been awarded by the China Financial Leasing Honor Roll for six consecutive years. Its extraordinary performance has indeed given a boost to the O-Bank Group's earnings capacity.

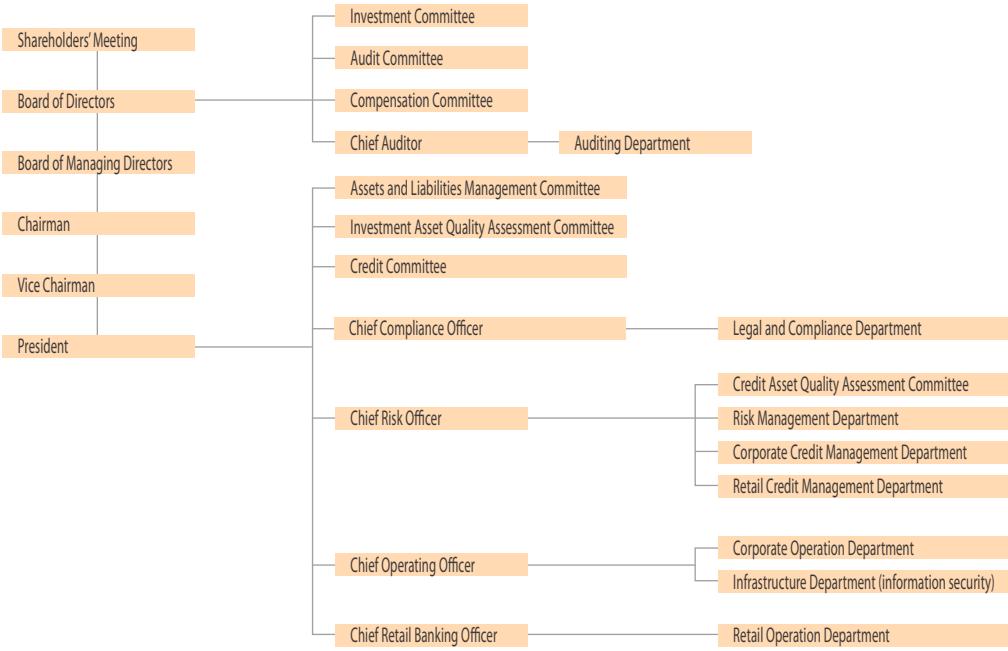
6. Risk Management

(1) Qualitative and Quantitative Information of Various Risks

A. Credit risk management system and required capital

2017 credit risk management system

Item	Content
1. Credit risk strategy, goals, policy, and procedures	<p>■ Credit risk strategy</p> <ol style="list-style-type: none"> 1. Create an independent credit risk management organization. 2. Adopt a clearly defined credit risk management policy and regulations. 3. Establish credit risk assessment, identification, and management systems. 4. Fully report and disclose the results of credit risk monitoring. 5. Adopt computerized SOPs for control of credit-checking and lending as well as assigning of rating scores. <p>■ Credit risk goals</p> <ol style="list-style-type: none"> 1. Minimize potential financial losses and attain an optimal ratio of risk to reward by drawing on an appropriate risk management strategy and policy as well as fitting procedures, comply with the principle of risk diversification to implement rigorous credit risk management. 2. Ensure compliance with applicable laws and regulations and group-wide risk management, in turn upholding credit standards and asset quality, by enforcing sound risk management mechanisms and control procedures, strengthening information integration and analysis, bolstering the effectiveness of early warnings, and carrying out lending management and monitoring without fail. <p>■ Credit risk management policy</p> <ol style="list-style-type: none"> 1. In order to establish an effective risk management system, ensure the Bank's sound operation and development, and provide a basis for business risk management and implementation, the Bank has drafted a risk management policy in tandem with the <i>Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries</i> promulgated by the Financial Supervisory Commission. The Bank has also drafted a set of credit risk management guidelines to govern the management of credit risk and establish credit risk management mechanisms to ensure that credit risk is controlled within an acceptable range. With capital adequacy rigorously upheld, the Bank will continue to control the bank's credit risk and achieve operational and management goals. 2. The Bank has also drafted a lending policy to serve both as guidelines for credit checking and lending work and as implementation indicators. The content of this policy includes lending principles and credit asset portfolio management. At the same time, the Bank has also compiled a Corporation credit handbook, which specifies credit checking and lending procedures and related operating details, ensures that policies will be continuously and effectively implemented, maintains strict loan approval standards, and facilitates the control of credit risk, assessment of possible business opportunities, and identification and management of NPLs. <p>■ Credit risk management procedures</p> <ol style="list-style-type: none"> 1. Risk identification Credit risk management starts with the identification of existing and potential risk, including all bankbook, blotter, and on- and off-balance sheet transactions. With the arrival of financial innovation and emergence of increasingly complex loan services, the Bank's responsible units must gain a full understanding of the credit risk of sophisticated services before engaging in any existing or new types of business. The Bank must also determine the probability that any breach of contract may occur when entering into a loan arrangement or transaction. 2. Risk assessment <ol style="list-style-type: none"> (1) Establish a risk rating scale as a key tool for management of the Bank's asset portfolio. (2) Portfolio management is intended to achieve the following three goals: <ol style="list-style-type: none"> a. Establish and monitor the Bank's loan asset portfolio to ensure that risk is kept within an acceptable range. b. Impose concentration limits to prevent risk concentration, in turn attaining the goal of risk diversification. c. Achieve the objective of optimal earnings. 3. Risk communication <ol style="list-style-type: none"> (1) Internal reporting: The risk management unit shall establish an appropriate credit risk reporting mechanism based on which to regularly provide upper management with correct, consistent, and real-time credit risk information, thereby ensuring that any instances in which limits are exceeded or exceptions occur are promptly reported and serving as reference for subsequent decision-making. Such reports may cover such items as asset quality, asset portfolio status, rating status, and all types of exceptions. (2) External disclosure: In accordance with capital adequacy requirements and the principle of market discipline, units responsible for credit risk shall provide self-assessment of the Bank's performance against quantitative and qualitative credit risk indicators as well as information regarding the Bank's credit risk management system and status in terms of required capital. They shall do so using the format and covering the items stipulated by the competent authority in the way and frequency it requires. 4. Risk monitoring <ol style="list-style-type: none"> (1) The Bank shall establish a monitoring system to assess changes in credit risk of borrowers or transaction counterparties, which will facilitate the prompt discovery of problematic assets or transactions, while enabling the Bank to take action quickly, and respond to any possible breach of contract. (2) Apart from monitoring individual credit risks, the Bank shall also perform monitoring and management of its loan portfolio. (3) The Bank shall establish rigorous credit checking processes and lending regulations based on which to take into account lending factors worthy of consideration, perform regular annual review (including credit review) of new, renewed loans, and existing loans and preserve credit checking and lending records. At the same time, the Bank shall monitor the proportions of various types of loans in its loan portfolio. (4) The Bank shall establish a limit management system to prevent excessive concentrations of credit risk, including country risk, industry risk, samegroup risk, and same concerned party risk. (5) The Bank shall establish a security management system to ensure that security is managed effectively.

Item	Content
2. Credit risk management organization and structure	<p>■ The functioning of the Bank's credit risk management organization</p>  <p>■ Board of Directors: The Board of Directors is the Bank's highest supervisory body that is responsible for establishing an effective risk management mechanism, approving and reviewing the Bank's credit risk strategy and major credit risk policies, and setting down a bank-wide credit risk management organizational framework and major credit risk management regulations. The Bank's credit risk strategy should correspond to the degree of risk that the Bank can withstand and the profitability standards that the Bank expects to reach against all types of credit risk.</p> <p>■ Audit Committee:</p> <ol style="list-style-type: none"> Members: The committee is composed of all of the Bank's independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise. Chief duties: The committee is responsible for reviewing the Bank's adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements; and reviewing other major matters stipulated by the Bank or the competent authority. <p>■ Credit Committee:</p> <ol style="list-style-type: none"> Members: The President shall serve as convener, and the managers of the lending and risk management departments shall serve as committee members. The committee shall meet once each week as a rule, and may hold an interim meeting when necessary. Chief duties: The conference is responsible for assessing loan applications forwarded by the Risk Management Department; after approval, such cases must still be presented to the relevant supervisory body for deliberation. <p>■ Credit Asset Quality Assessment Committee:</p> <ol style="list-style-type: none"> Members: The Chief Risk Officer shall serve as convener and chairman of the conference. Personnel from various relevant units shall attend meetings, and the President may attend when the situation warrants. Chief duties: The conference is responsible for assessing the current state of credit asset quality; determining and reviewing strategies and action plans; assessing losses that credit assets are likely to suffer; and reviewing the adequacy of NPL and guarantee liability provisions. If the conference decides to propose an increase in NPL and guarantee liability provisions, it shall first submit the proposal to the President for approval. <p>■ Risk management units: The Bank's risk management units include the Risk Management Department, Corporate Credit Management Department, and Retail Credit Management Department.</p> <ol style="list-style-type: none"> Risk Management Department: Charged with managing the Bank's credit, market, operating, and liquidity risk, the Risk Management Department is also responsible for supervising and keeping track of countermeasures taken by relevant units with regard to risk management decisions and assignments. Upon detection of any risk exposure that threatens to undermine the Bank's finances or business operations, it shall immediately take proper action and present a report in a timely manner. Corporate Credit Management Department: The Corporate Credit Management Department is responsible for identifying, assessing, monitoring, and managing corporate banking risk; drafting loan review standards; drafting and revising contracts and forms; and controlling and releasing loan contracts and collateral. Retail Credit Management Department: The Retail Credit Management Department is in charge of identifying, assessing, monitoring, and managing retail banking risk; managing and writing off NPLs; appropriating NPL provisions; assessing losses; and conducting post-lending management.

Item	Content
3. Scope and characteristics of credit risk reporting and assessment system	<p>With regard to the credit risk inherent in all products and business activities and before introducing new products and launching into any new line of business, the Bank has in place appropriate risk measures and controls, which have secured approval of the Board of Directors or relevant committees.</p> <p>Credit risk assessment and control procedures include credit checking, rating assignment, credit line control, post-lending management, and debt collection. Apart from implementing the foregoing operating procedures, risk management units also regularly present various types of credit risk and asset quality analysis reports as management indicators. In addition, the Bank actively controls risk from country, group, industry, sameconcerned party, and same affiliated enterprise, and regularly submits monitoring results to the Board of Directors so that it can keep track of the Bank's exposure to various types of risk.</p> <p>In order to understand the Bank's risk-bearing capacity and the impact on its capital adequacy in the event of changes in economic conditions and the financial environment, the Bank performs credit risk stress testing in accordance with the Financial Supervisory Commission's <i>Plan for Banks' Conducting Stress Testing and Operating Guidelines for Banks' Credit Risk Stress Testing</i>. The results not only serve as an important basis for credit risk management but also are used for reference in continuously adjusting the Bank's business development, lending policy, and credit assessment procedures.</p>
4. Credit risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools	<p>The Bank mainly uses the following risk mitigation tools to reduce exposure to credit risk: (1) provision of security by transaction counterparties or third parties; (2) on-balance sheet netting, such as using the deposits of a transaction counterparty at its financing bank for the purpose; and (3) third-party guarantees.</p> <p>Although credit risk mitigation tools can reduce or transfer credit risk, the simultaneous use of such tools may increase other residual risks, including legal risk, operational risk, liquidity risk, and market risk. The Bank has adopted rigorous procedures to control these types of risk, including formulation of policies, drafting of operating procedures, implementation of credit review and appraisal, establishment of control systems, contract management, etc.</p> <p>The Bank has established security management policies and operating procedures, verified bank-wide security data, and built a security management system. In order to apply a comprehensive approach to risk mitigation, the Bank has completed collection and analysis of data needed for security offsetting, linked the credit checking and lending system with its security management system, and established a capital requirement calculation platform.</p>
5. Method for meeting statutory capital requirement	Standardized approach

Risk exposure and required capital after risk mitigation employing the standardized approach for credit risk

Base Date: March 31, 2018

Unit: NT\$ thousands

Type of risk exposure	Risk exposure after risk mitigation	Required capital
Sovereigns	47,881,818	0
Non-central government public sector entities	0	0
Banks (including multilateral development banks)	25,136,822	8,748,565
Corporates (including securities firms and insurance companies)	161,493,254	158,560,376
Retail portfolios	5,451,317	5,095,659
Residential property	4,148,206	2,276,314
Equity securities investment	719,558	719,558
Other assets	3,307,731	3,011,895
Total	248,138,706	178,412,367

B. Securitization risk management system, risk exposure, and required capital

2017 securitization risk management system

Item	Content
1. Securitization management strategy and procedures	The Bank's asset securitization management strategy focuses on increasing the efficiency of funds use and asset liquidity, and relies on adjustment of the asset/liability structure and shifting of asset risk. As a consequence, apart from carefully assessing its loan assets and analyzing risk exposure, the Bank also makes active use of asset securitization as a channel and tool to ensure that it does not assume excessive risk in the course of pursuing profitability. Each securitization case must be approved by management and submitted to the Board of Directors for consent, and must also be approved by the competent authority before implementation.
2. Securitization management organization and structure	In securitization cases for which the Bank serves as the originating entity, all loan assets in the asset pool must be reviewed and approved in advance by the Bank's operating and review units, and the credit status of target assets in the asset pool must be assessed and analyzed. The risk management unit bears responsibility for controlling and assessing relevant market risk.
3. Scope and characteristics of securitization risk reporting and assessment system	Before issuance of securitized products, the Bank's relevant units will handle target assets in the asset pool in accordance with the Bank's general credit checking and lending procedures, screen asset quality, assess risk, and gradually establish a securitization system. After issuance, depending on the status of target assets in the asset pool, the Bank will regularly perform re-assessment and reveal asset quality in a timely fashion. With regard to holdings taken on in response to credit rating upgrade or subscriptions to newly issued securitized products, the Bank will continue to perform follow-up risk management, model assessment, asset portfolio limit monitoring, asset quality control, bookkeeping, and compilation of information. These steps are intended to prevent deterioration of asset quality and facilitate response measures, when needed, to safeguard the Bank's rights as creditor.
4. Securitization hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools	Currently the Bank trades securitized products only of the conventional type, and all hedging is geared toward shifting the primary credit risk of the asset pool to third parties and creating insulation on the legal front. With regard to required capital after issuance, the Bank makes it a point to attain a level not higher than that when no risk mitigation instruments are employed, thereby reducing risk and maintaining profitability. When it comes to monitoring the continued effectiveness of subsequent hedging and risk mitigation tools, the Bank considers it a fundamental requirement that relevant documents must possess binding power over all related parties as well as legal force. At the same time, the Bank will perform necessary review to ensure the continued existence of mandatory force in law. The Bank shall perform the foregoing procedures, including drafting of strategies and operating procedures, implementation of credit review and assessment, establishment of control systems, and contract termination risk management, in accordance with its internal rules, regulations, and business handbook requirements.
5. Method for meeting statutory capital requirement	Standardized approach

Status of securitization: The Bank did not deal in any new securitized products during 2017 and the first quarter of 2018.

Securitization risk exposure and required capital (by transaction type): None.

Information concerning securitized products

(A) Summarized information on investing in securitized products: None.

(B) a. Information to be disclosed on investment in securitized products at an initial cost of NT\$300 million or more (not including holdings taken on by the Bank as originator for the purpose of credit enhancement): None.

b. Information to be disclosed on holdings taken on by the Bank as originator for the purpose of credit enhancement: None.

c. Information to be disclosed on the Bank acting as a purchasing organization or a settlement purchasing organization for credit-impaired assets: None.

(C) Information to be disclosed on the Bank acting as a guarantee institution or providing liquidity financing credit lines: None.

C. Operational risk management system and required capital

2017 operational risk management system

Item	Content
1. Operational risk management strategy and procedures	<p>■ Strategy</p> <ol style="list-style-type: none"> 1. The Bank has established a comprehensive risk management environment and has instilled operational risk management consciousness throughout personnel at all levels, including the Board of Directors, thereby enabling internalization of the Bank's risk management culture. 2. The Bank has established a risk management organization with clearly defined duties and powers in order to promote the implementation of bank-wide operational risk management. 3. In order to enhance the effectiveness of operational risk management, the Bank has drafted a clear operational risk management framework, implementation regulations, and guidelines complying with the competent authority's requirements. 4. The Bank implements independent and professional internal audits in order to check the effectiveness of operational risk management mechanisms. <p>■ Procedures</p> <p>The Bank's operational risk management procedures include process cataloging, risk analysis, risk identification, risk assessment, risk monitoring, and risk reporting. Meanwhile, the Bank employs such management tools as risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD).</p>
2. Operational risk management organization and structure	<p>The Bank's operational risk management organization comprises the Board of Directors, Risk Management Department, Auditing Department, and other units. Roles of the operational risk management and responsibilities of personnel at various levels are as follows:</p> <ol style="list-style-type: none"> 1. Board of Directors: <ol style="list-style-type: none"> (1) Serving as the Bank's highest level of operational risk management decision-maker. (2) Ensuring the establishment of an appropriate risk management system and culture. (3) Approval of a bank-wide operational risk management framework and strategy, including operational risk policy, organization, and duties, and regular review of the aforesaid items. (4) Supervision of the functioning of operational risk management mechanisms to ensure their effectiveness. (5) Provision of clearly defined guidelines over the identification, assessment, communication, and supervision of operational risk. (6) Review of operational risk management reports and other risk-related information in order to gain an understanding of risk assumed by the Bank and ensure that internal resources are properly utilized and allocated. (7) Ensuring that the Bank's operational risk management framework has been subject to internal audits by independent, properly trained employees with the necessary skills. 2. Risk Management Department: This department is the Bank's second line of defense for controlling operational risk, and the vice president charged with supervising the Risk Management Department acts as the Bank's top manager responsible for supervision, management, and control of operational risk: <ol style="list-style-type: none"> (1) Drafting of bank-wide operational risk management and control strategy, policy, and procedures. (2) Drafting of consistent operational risk identification, assessment, monitoring, and mitigation standards applicable throughout the Bank. (3) Implementation of the independent operational risk management framework and decisions approved by the Board of Directors, and establishment of a bank-wide operational risk management system. (4) Formulation of the powers and responsibilities of the Risk Management Department and of management at various levels, as well as their relationships in the Bank's chain of command. (5) Coordination and communication with various units about operational risk management matters, and continued supervision of their implementation performance. (6) Compilation of bank-wide operational risk information and, depending on the nature of such information, reporting it to the Board of Directors, the president, or the vice president charged with supervising the department. (7) Implementation of operational risk training. 3. Other units: <ol style="list-style-type: none"> (1) Act as the Bank's first line of defense for operational risk management, these relevant units are responsible for determining and managing regulations and handbooks concerning the operational risk of the business and matters under their management. Each unit must designate one person to serve as its operational risk manager, who is to collaborate with the Risk Management Department in performing first-line defense tasks in the control of operational risk associated with the business and matters under the unit's management. (2) Comply with and implement the Bank's operational risk management regulations, actively monitor and control operational risk associated with their respective duties and operations, and report to the appropriate superior or unit in accordance with regulations. (3) Identify operational risk within each unit, including its sources and contributing factors. (4) Assess the frequency and severity of risk generated by each unit's operational processes on a regular basis; supervise and track efforts to address the inadequacy in terms of risk control. (5) File regular reports on operational risk issues, including major operational risk exposure and losses as well as measures taken to improve risk control or operational processes. 4. Auditing Department: <ol style="list-style-type: none"> (1) Act as the Bank's third line of defense against operational risk, this department is responsible for assessing and verifying the effectiveness of various units and independent operational risk management mechanisms. (2) Disclose in audit reports and continue tracking shortcomings or abnormalities detected in audits. (3) Audit personnel shall submit recommendations concerning control shortcomings to personnel responsible for operational risk management but shall not bear direct responsibility for operational risk management matters. (4) The depth and breadth of audits shall be proportionate to the extent of the Bank's operational risk exposure. (5) Audit personnel must possess operational risk management knowledge and experience in order to understand, inspect, and verify the Bank's operational risk management implementation procedures and risk assessment mechanisms.

Item	Content
3. Scope and characteristics of operational risk reporting and assessment system	The Bank employs risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD) as operational risk assessment and monitoring tools. The results thus obtained are compiled as qualitative or quantitative risk information of the relevant organization and operations. In turn, the Risk Management Department presents independent analytical reports to the Board of Directors and upper management, while implementation results are relayed to relevant departments and senior managers for their reference in drafting policies and allocating resources, thereby ensuring that the Bank puts its capital to optimal use.
4. Operational risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools	The Bank makes use of appropriate outsourcing and control of tasks as an operational risk mitigation policy. One of the outsourced tasks is cash transport. The Bank relies on appropriate insurance as a hedging strategy for addressing certain types of operational risk. For both outsourcing and insurance, the Bank always sets down clearly defined cooperative relationships and legal agreements, thereby ensuring the quality of such cooperation, service reliability, and effectiveness of risk shifting.
5. Method for meeting statutory capital requirement	Basic indicator method (BIA) The Bank adopts the basic indicator method, spelled out in the <i>An Explanation on Banks' Calculating Equity Capital and Risk-Weighted Assets—Calculating Operational Risk</i> promulgated by the Financial Supervisory Commission, to calculate its operational risk charge. That is, the Bank shall hold capital for operational risk equal to the average over the previous three years of 15% of positive annual gross profit.

Required capital for operational risk

Base Date: Dec. 31, 2017
Unit: NT\$thousands

Year	Gross Profit	Required Capital
2015	3, 658, 905	
2016	4, 061, 379	
2017	4, 156, 379	
Total	11, 876, 663	593, 833

D. Market risk management system and required capital

2017 market risk management system

Item	Content
1. Market risk management strategy and procedures	<p>■ market risk management strategy</p> <ol style="list-style-type: none"> The Bank takes a proactive stance toward rigorously managing market risk. Transactions are one of the Bank's major earnings sources: money is made on accurately capturing swings in market risk factors (stock prices, exchange rates, and interest rates). The greater the fluctuations in market risk factors, the greater the potential for profits. When compiling annual targets for various transactions, the Bank takes account of its own macroeconomic and industry analysis as well as those undertaken by peer institutions. Targets are determined after in-depth discussions among the President, trading department, and the department charged with market risk management. Such targets, along with stop-loss thresholds and quotas for individual products for the year approved by the Assets and Liabilities Management Committee, are submitted to the Board of Directors for approval. Priority is given to refraining from setting excessive, unrealistic targets lest traders should take risks greater than they should. In light of the risk attributes of various transactions, the Bank has in place clearly defined management regulations and risk management indicators that govern risk exposure limits, reporting of such limits being exceeded, and managerial personnel authorized for decision-making and countermeasures warranted under such circumstances. Priority is given to rigorous implementation in order to ensure that traders always adhere to trading discipline and that the Bank's market risk exposure is kept within a reasonable range. <p>■ Market risk management procedures</p> <ol style="list-style-type: none"> The planning of market risk transaction amounts for any given year is performed in conjunction with the compilation of business and financial budget targets. At the end of each year, trading departments submit their respective amount applications to the Risk Management Department's Market Risk Management Section. When reviewing such applications, the section also takes into account the Bank's overall budget targets and capital adequacy plans before moving on to propose bank-wide transaction quotas and an overall stop-loss threshold. These proposals are then submitted to the Assets and Liabilities Management Committee for review and the Board of Directors for approval. Based on the aforesaid overall stop-loss threshold approved by the Board of Directors, the Risk Management Department's Market Risk Management Section goes on to draft monthly stop-loss limits for each product line, VaR limits, and MAT (management action trigger) limits. These, upon approval by the President, will serve as the basis for the Bank's market risk management.

Item	Content
2. Market risk management organization and structure	<p>■ The Board of Directors is the Bank's highest supervisory body for market risk management:</p> <ol style="list-style-type: none"> 1. When it comes to managing market risk inherent in various transactions, the bank-wide transaction quotas and overall stop-loss threshold approved by the Board of Directors at the end of each year serve as the ultimate guidelines for market risk management. Based on the aforesaid overall stop-loss threshold for the coming year, the board authorizes the President to determine individual thresholds for various transactions by product. Currently, such stop-loss thresholds are imposed on three transaction categories: equities, interest rates, and exchange rates. 2. The board also performs annual assessment to determine whether the Bank's performance in various transactions is consistent with preset business strategies and whether the assumed risk is within the Bank's tolerable range. In the event of a major abnormality in transactions or an instance of management by exception, review or retroactive approval of the board is warranted. <p>■ The Assets and Liabilities Management Committee is a supervisory body responsible for setting market risk management guidelines and overseeing implementation of market risk management.</p> <ol style="list-style-type: none"> 1. The President shall chair the Assets and Liabilities Management Committee, whose members shall include the chief strategy officer, heads of financial markets, financial management, risk management, corporate banking, and retail banking departments, and other departmental heads appointed by the President. At the end of each year, the committee shall gather relevant departments for an assets and liabilities management conference to review market risk management policies and product quotas for transactions as well as the overall stop-loss threshold for the coming year that are to be proposed to the Board of Directors. 2. Chaired by the President, the assets and liabilities management conference is responsible for implementing year-end resolutions it adopts for the coming year and undertaking management thereof. Held on a monthly basis as a rule, it is also charged with reviewing the performance of various transactions. <p>■ The Risk Management Department is the operating department responsible for implementing market risk management.</p> <p>In accordance with the Bank's organizational rules, the Market Risk Management Section of the Risk Management Department bears responsibility for performing market risk management tasks with regard to planning, statistics, reporting, and monitoring.</p>
3. Scope and characteristics of market risk reporting and assessment system	<p>An explanation is hereby given on the following three fronts—internal management regulations, framework of trading limits, and reporting procedures:</p> <p>■ Internal management regulations</p> <p>Based on the respective risk attributes of equities, interest rates, and exchange rates, the Bank has in place management regulations that spell out risk management indicators and risk exposure limits, as well as the reporting, decision-making, and responding mechanisms in the event of over-limit events.</p> <p>■ Framework of trading limits by product</p> <ol style="list-style-type: none"> 1. To bolster the framework for managing market risk, the Risk Management Department takes into account the specific risk attributes of various products and sets VaR limits, MAT limits, 20-day average liquidity limits, and FS sensitivity limits that complement trading limits and stop-loss thresholds separately imposed on individual products. Upon approval of the President, the aforesaid complementary limits will serve as the basis for market risk management. 2. After the quotas of product holdings for trading departments become effective upon approval of the Board of Directors, the President shall also break down the aforesaid overall stop-loss threshold for distribution among trading departments, thereby authorizing the latter to set down their respective monthly stop-loss thresholds. In turn, heads of trading departments shall conduct allocations among traders and report these to the Risk Management Department in writing as the basis for risk control. <p>■ Reporting procedures</p> <p>Against previously authorized trading limits, the Risk Management Department shall compile statistics on the risk exposure of trading departments and individual traders. In accordance with internal management regulations, it shall also submit risk reports, monitor over-limit events, and implement follow-up measures.</p>
4. Market risk hedging or risk mitigation policy; strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools	<p>■ When trading departments undertake transactions for hedging financial asset holdings, the profit or loss thus generated shall be included in their overall trading profits or losses and thus subject to relevant stop-loss control.</p> <p>■ If a trading department wishes to apply to adopt hedging accounting, assessment of the effectiveness of hedging shall be conducted in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and relevant explanations and explanatory announcements approved by the Financial Supervisory Commission, as explained below:</p> <ol style="list-style-type: none"> 1. Prior to the start of hedging, a trading department shall explicitly state in formal writing the hedging instrument being adopted, hedging target, nature of the risk being hedged, hedging strategy (fair value hedging or cash flow hedging), and ways to assess the effectiveness of hedging. 2. A hedging transaction is supposed to prove highly effective in offsetting changes in fair value or cash flow caused by the risk being hedged. This specific hedging relationship must be consistent with the hedging strategy stated in the aforesaid formal writing. 3. Hedging must simultaneously meet the following two conditions in order to prove highly effective: <ol style="list-style-type: none"> (1) At the start of hedging and mid-way through hedging, it must be stated clearly that the hedging transaction will be able to prove highly effective in offsetting changes in fair value or cash flow caused by the risk being hedged during the designated hedging period. (2) The actual hedging offset must run between 80% and 125%. 4. The Risk Management Department's Market Risk Management Section shall assess the effectiveness of hedging on a monthly basis, and shall confirm that hedging is highly effective during the designated hedging period. If a hedging portfolio fails to meet the requirement of being highly effective, the section shall notify the accounting unit and have it cancel the given transaction's applicability to hedging accounting in accordance with the aforesaid reporting standards.
5. Method for meeting statutory capital requirement	Standardized approach

Market risk required capital

Base Date: March 31, 2018

Unit: NT\$ thousands

Risk Type	Required Capital
Interest rate risk	235,702
Equity securities risk	83,642
Foreign Exchange rate risk	143,404
Product risk	0
Total	462,748

E. Evaluation of liquidity risk includes a maturity analysis of assets and liabilities and an explanation of the methods adopted to manage asset liquidity and funds gap liquidity:

In terms of asset liquidity and funds gap liquidity management, the Bank has in place the *Regulations on Managing Liquidity Risk and Interest Rate Risk*, based on which various units are responsible for conducting cash flow control and compiling liquidity risk reports for submission to upper management on a regular basis. The Bank has also prepared a liquidity emergency plan to fill in any liquidity gap, reduce liquidity risk, and ensure smooth operations across the Bank.

Term Structure Analysis of Taiwan Dollar-denominated Assets & Liabilities

Base Date: March 31, 2018

Unit: NT\$ thousands

	Total	Amounts remaining during the period prior to the due date					
		0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	262,439,826	60,228,155	13,829,347	30,304,659	19,521,926	29,182,485	109,373,254
Major matured capital outflows	292,906,933	44,908,392	20,976,205	60,582,836	43,799,478	42,560,564	80,079,458
Capital gap	(30,467,107)	15,319,763	(7,146,858)	(30,278,177)	(24,277,552)	(13,378,079)	29,293,796

Note: This table contains only Taiwan dollar (excluding foreign currency) amounts at the Bank's headquarters and domestic branches.

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities

Base Date: March 31, 2018

Unit: US\$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	4,213,400	1,224,245	1,074,400	398,376	638,896	877,483
Major matured capital outflows	4,542,783	1,829,532	1,183,077	595,727	423,326	511,121
Capital gap	(329,383)	(605,287)	(108,677)	(197,351)	215,570	366,362

Note: 1. The table contains U.S. dollar amounts at the Bank as a whole.

There is no need for reporting off-book amounts (e.g. planned issuance of NCDs, bonds, or equities).

2. Where offshore assets account for 10% or more of the bank's total assets, disclosure of supplementary information is warranted.

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities

Hong Kong Branch

Base Date: March 31, 2018

Unit: US\$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Longer than 1 year
Major matured capital inflows	922,473	279,698	191,034	19,254	74,630	357,857
Major matured capital outflows	999,367	365,974	282,008	143,180	37,363	170,842
Capital gap	(76,894)	(86,276)	(90,974)	(123,926)	37,267	187,015

(2) Impact of major domestic and foreign policy and legal changes on the Bank's finances and operations as well as countermeasures

- January 11, 2017: The People's Bank of China promulgated "Notice of the People's Bank of China on Matters Concerning the Macro-Prudential Management of Fully Covered Cross-Border Financing" (Yin-Fa [2017] No. 9)

- This notice was forwarded to relevant units at the Bank, reminding them of China's external debt management measures for the banking industry and corrective actions addressing the amount of external debt incurred in cross-border corporate financing services and of the need to use it as reference for their business planning.
- It has yet to have any material impact on the Bank's finances or operations.

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.
- June 28, 2017: The newly instituted "Regulations Governing Anti-Money Laundering of Financial Institutions" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Fa-Zi No. 1060003100).
1. This regulation was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the regulation into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.
- June 28, 2017: The newly revised "Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuers" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Fa-Zi No. 1060003120).
1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.
- July 7, 2017: The newly revised "Regulations Governing Self-Governance of Banks in Conducting Financial Derivatives Business" was promulgated (Bankers Association of the R.O.C. Letter Quan-Feng-Yan-Zi No. 1060003703).
1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.
- September 13, 2017: The newly revised "Corporate Governance Best-Practice Principles for Banks" was promulgated (Bankers Association of the R.O.C. Letter Quan-Feng-Zi No. 1060004916).
1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.
- October 12, 2017: The newly revised "Regulations Governing Domestic Branches of Financial Institutions" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Guo-Zi No. 10620004780).
1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.
- October 13, 2017: The "Guiding Opinions of the General Office of the State Council on Vigorously Advancing the Innovation on and Application of Supply Chains" was promulgated (Guo-Ban-Fa [2017] No. 84).
1. This document was forwarded to relevant units at the Bank and financial leasing businesses in which it has invested on the mainland, reminding them of China's promoting supply-chain financial development and formulating regulations governing risk control and of the need to use it as reference for their business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

To track technological changes and reduce their impact as risk factors in a rapidly changing industrial community, this Bank performs annual surveys of various industries and analyzes their development trends, the results of which are then used as the basis for risk diversification across the Bank's business endeavors: lending, deposits, and investment. Reasonable limits are put in place for each industry. In a similar vein, training is conducted to help employees deepen and broaden their grasp of economic conditions and industrial knowledge. In addition, the Bank strives for risk reduction by conducting double-checking on a regular basis, strengthening post-lending management, tightening control of asset quality, and enforcing risk management discipline.

(4) Impact of changes in the Bank's public image on its crisis management as well as countermeasures

The Bank has long upheld the guiding principles of professionalism, integrity, and prudence. Apart from focusing on its core business and strengthening risk management mechanisms, the Bank pays special attention to maintaining its corporate image. Its Corporate Culture Committee and Corporate Social Responsibility Committee were established in 2014 and 2015 respectively. Standing by its corporate culture characterized by sincerity and support, the Bank is an active sponsor of charitable initiatives in culture and the arts, education, and concern for society. We are using our collective strength to exert a positive influence on society, fulfilling our corporate social responsibility, striving to boost our corporate image, and seeking to become our customers' most trustworthy partner. Our CSR involvement during the most recent three years enabled the Bank to obtain B Corporation certification in 2017. Moreover, our 2017 CSR report received silver medal of Corporate Sustainability Report Award, which is part of the Taiwan Corporate Sustainability Awards organized by the Taiwan Institute for Sustainable Energy. These honors highlight this Bank's emphasis on its corporate social responsibility and the tangible results it has achieved.

Since this Bank was transformed into a commercial bank, we have also striven to develop our new image as a digitally focused bank while continuing to put to practice the aforesaid ideals. During this new era of social media, the Bank makes it a point to establish comprehensive, rigorously implemented internal control mechanisms, thereby ensuring our brand prestige and establishing a favorable public image. We have also assigned the positions of spokesperson and deputy spokesperson and set up a corporate communications department and customer service center to interact with shareholders, the media, and the public. In case there is any erroneous information at odds with facts or detrimental to our image, we will issue an explanatory message via the Market Observation Post System.

(5) Expected benefits and potential risks of M&As as well as countermeasures

Mergers and acquisitions (M&As) are one of the pathways for expanding the scope of business operations. M&As can be used to expand the scope and scale of business operations, disperse operational risk, expand into new markets, enlarge financial product lines, boost operating efficiency, and enhance overall competitiveness. As such, we do not rule out the implementation of M&A plans when the opportunity arises, and we may employ M&As to rapidly enhance our market status and competitiveness.

If and when weighing any M&A plans in the days ahead, the Bank will take into consideration the interests of all stakeholders, and we will carefully assess whether such plans can facilitate the company's long-term development in so far as they do not harm the interests of employees, customers, and shareholders.

As of the day this annual report went to press, the Bank had no concrete M&A plans.

(6) Expected benefits and potential risks of expansion of business outlets as well as countermeasures

The Financial Supervisory Commission promulgated the revised *Regulations Governing Domestic Branches of Financial Institutions* on October 7, 2015. Of the revision, Article 3 stipulates that if a bank applies for transformation to commercial bank status, it may concurrently file an application to establish new branches; the aggregate number of new branches and previously established branches shall not be more than five. Since

our restructuring as a commercial bank, the Bank has sought to develop into a digitally focused bank that draws on virtual channels to deliver online and mobile banking services. By contrast, the Bank intends to make use of physical outlets for promoting our brand image and providing a venue for consumers to experience digital banking. As such, we established Taipei Vie Show and Zhongxiao Dunhua branches in May 2017 and January 2018 respectively to provide customers with a digital banking experience and offer such services as online banking activation and wealth management consulting, thereby laying a solid foundation for a service network that integrates the virtual and the physical. To be sure, expanding business outlets helps broaden service coverage and expand channels and customer sources while, at the same time, achieving the purpose of diversifying risk and cultivating manpower. While the Bank currently operates a relatively small number of business outlets, adding any outpost must be preceded by meticulous cost-effectiveness analysis so that each outlet can bring out its full potential. As such, the Bank expects any expansion of business outlets to incur limited risk.

Possible risk	Explanation	Countermeasures
Asset losses	Impairment of material assets due to natural disasters or other incidents	Property insurance
System crashes	Losses caused by system crashes	Offsite system backup plan

In addition, we have expanded the O-Bank Group's sphere of financial services through the establishment of overseas outposts by our subsidiaries. O-Bank subsidiary IBT Leasing Co., Ltd. set up IBT International Leasing Corp. and IBT Tianjin International Leasing Co., Ltd. in 2011 and 2013 respectively. Having grown steadily over the years, they now operate outlets in Suzhou and Nanjing in Jiangsu Province, Dongguan and Zhongshan in Guangdong Province, and Tianjin in northern China to deliver comprehensive financial services to small and medium-sized enterprises and microbusinesses in the Yangtze River delta, Pearl River delta, and Bohai Rim regions. In the future, we will continue to prudently seek out optimal locations for new outlets in the hope that our leasing business platform on the mainland can someday complement our prospective branches there. On the other hand, O-Bank is keen to meet customer needs in their global push. As such, our U.S. subsidiary EverTrust Bank now operates seven outlets in California's Greater Los Angeles area that are committed to offering comprehensive financial services. EverTrust Bank is ready to expand its service reach by opening more branches in the days ahead.

(7) Risks incurred by business concentration and countermeasures

With regard to the concentration of our corporate banking services by industry, mutual fund/investment/leasing/other financial institutions category accounted for the greatest share of our credit risk exposure, or 18.7%, at the end of 2017. Next came the real estate/construction/cement industry category with 15.6%, the electronics industry with 11.4%, the petrochemicals/textiles industry with 10.2%, the wholesaling and retailing industry with 7.8%, the transportation/vehicles and parts industry with 6.7%, the metals industry with 6.1%, individuals with 5.0%, and others with 18.5%. As things stand now, the Bank is apparently not subject to concentration in any particular industry or inability to diversify risk.

With regard to our target customers, we used to cater mainly to medium-sized and large enterprises in the capacity as an industrial bank that would naturally give priority to cost-effectiveness considerations. In 2013, the Bank began to pay special attention to winning over mid-market enterprises as clients with a view to bringing down risk concentration on the back of an expanded customer base. Such efforts have started to pay off. Furthermore, since our transformation into a commercial bank in 2017, our customer base has been broadened from corporate accounts to individual accounts. As such, the concentration of our target customers is expected to decrease further in the future.

(8) Effect upon and risk to the Bank associated with any change in managerial control, as well as countermeasures: None.

(9) Effect upon or risk to the Bank if a large quantity of shares held by a director, or major shareholder with not less than a 1% stake were to be transferred or otherwise change hands, as well as countermeasures: None.

(10) Litigious and non-litigious matters: To date the Bank has not been subject to any litigious or non-litigious proceedings or administrative disputes that may have a material impact on depositor or shareholder interests or the Bank's share price.

Note: Zeny (BVI) Ltd. claims that it has sustained losses because of this Bank's engaging in improper sales of sophisticated, high-risk financial products. Having brought the case to the Chinese Arbitration Association, it is now requesting damages from the Bank (the requested amount is US\$2,816,000, plus 5% interest per annum for the period between May 19, 2017 and the date of full payment). While this case is now at the stage of arbitration, the Bank will evaluate its impact on finances as the arbitration proceedings unfold.

(11) Other major risks: None.

7. Crisis Management and Response Mechanism

In order to strengthen the Bank's ability to respond to major crises and disasters, the Bank has drafted the *Major Accident Emergency Response and Recovery Plan Implementation Guidelines*. Spelled out in the guidelines are emergency measures to be taken and the principles for reporting and subsequent action in the event of natural disasters, major disease outbreaks, information system interruptions, personal information incidents, and liquidity crises. The Bank also pays special attention to disaster prevention simulations, exercises, or tests with a view to eliminating or reducing damage to the Bank as soon as possible and maintaining its normal business operations. The Bank will also perform thorough review and recovery after such incidents so as to minimize damage to customer interests and the Bank's financial losses.

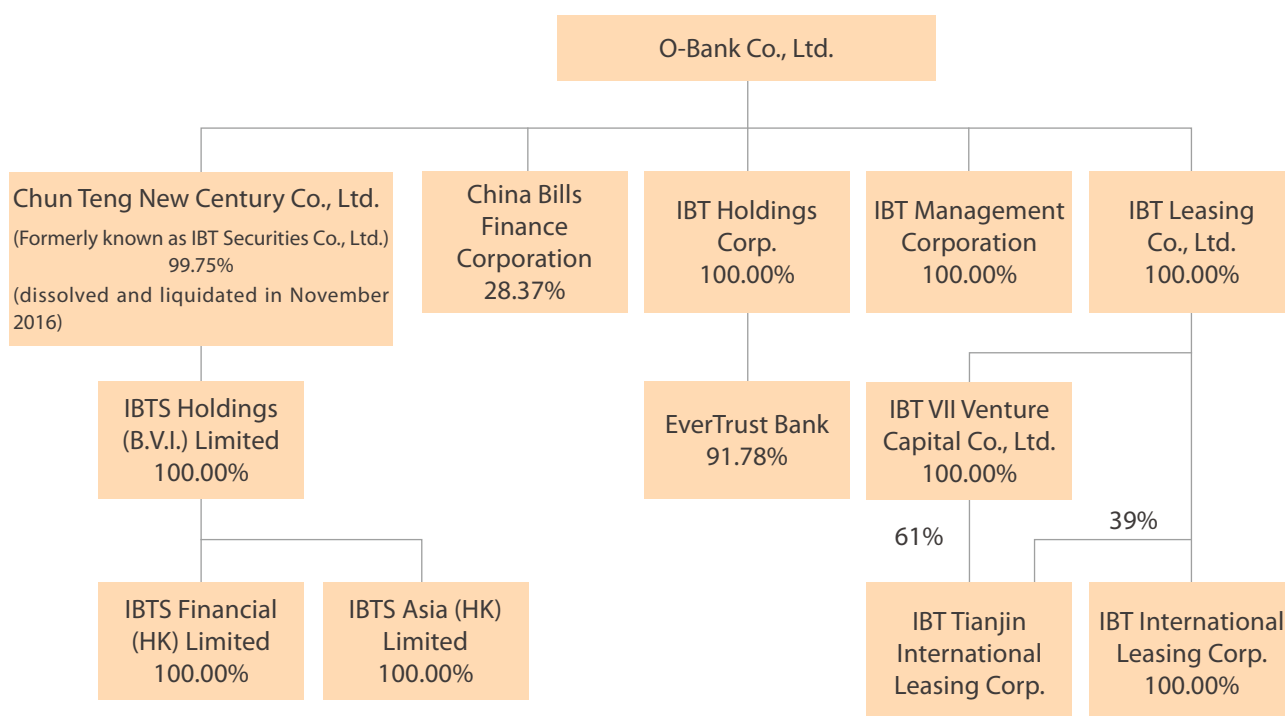
8. Other Major Items: None.

VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Organizational Chart

As of December 31, 2017



(2) Backgrounds of Affiliated Companies

Unit : NTD\$ thousands / US\$ thousands / HKD\$ thousands / RMB\$ thousands

Name of Company	Established Date	Address	Paid in Capital	Main Business
Chun Teng New Century Co., Ltd. (note2)	1961.12.9	6F, No.187, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 1,123,892	1. Investment Business 2. Investment Consulting 3. Management Consulting 4. Other businesses not prohibited or restricted by law
IBTS Holdings (B.V.I.) Limited	2003.3.14	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	USD 8,331	Holding Company
IBTS Financial (HK) Limited	2003.5.26	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	USD 1,986	Financing Consulting
IBTS Asia (HK) Limited	2004.4.30	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	HKD 100,000	1. Securities Trading (Type1) 2. Provision of Consulting on Securities Trading (Type4)
IBT Management Corporation	2000.8.5	8F, No.99, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 134,000	1. Investment Advisory Business 2. Business Management Advisory Business 3. Venture Capital Investment and Management Consulting Business
IBT VII Venture Capital Co., Ltd.	2014.8.5	6F, No.99, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 650,000	Venture Capital Business
China Bills Finance Corporation	1978.10.19	4F, No.99, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 13,429,600	1. H102011 Bills Finance 2. H301011 Securities Brokerage

Name of Company	Established Date	Address	Paid in Capital	Main Business
IBT Holdings Corp.	2006.5.30	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 110,209	Financial Holding Company
EverTrust Bank	1994.9.19	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 118,402	Commercial Banking
IBT Leasing Co., Ltd.	2011.4.7	6F, No.187, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 2,643,000	Financing Leasing
IBT International Leasing Corp.	2011.3.15	Room 805, 8F, No.188 Wangdun Rd., Suzhou Industrial Park, Suzhou 215123, Jiangsu, P.R. China	RMB 191,563	Financing Leasing
IBT Tianjin International Leasing Corp.	2013.3.28	18F, No.5, Meiyuan Rd., Huayuan Industry Park, Tianjin 300384, P.R. China	RMB 122,774	Financing Leasing

Note : 1. Exchanging rate on reporting date as Dec. 31, 2017: USD 29.8545 、 HKD3.82024 、 RMB4.57749.

2. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

(3) Common Shareholders among Controlling and Controlled Entities: None.

(4) Backgrounds of directors, supervisors and presidents of affiliated companies

As of December 31, 2017

Unit : Shares , %

Name of Company	Title/Represented Institution	Name of Representatives	Shareholding	
			No. of Shares	Ratio%
Chun Teng New Century Co., Ltd. (note1)	Supervisor : Yeh, Roy J.Y.			
IBTS Holdings (B.V.I.) Limited	Directors : Chun Teng New Century Co., Ltd.	Lin, Wu-Chai	8,331,428	100.00
	Chun Teng New Century Co., Ltd.	Chao, Kai-Yun	8,331,428	100.00
IBTS Financial (HK) Limited	Directors : IBTS Holdings (B.V.I.) Limited	Chao, Kai-Yun	14,849,382	100.00
	IBTS Holdings (B.V.I.) Limited	Chan, Hsiu-Hua	14,849,382	100.00
	IBTS Holdings (B.V.I.) Limited	Yang, Han-Wei	14,849,382	100.00
IBTS Asia (HK) Limited	Directors : IBTS Holdings (B.V.I.) Limited	Chao, Kai-Yun	100,000,000	100.00
	IBTS Holdings (B.V.I.) Limited	Hung, Hui-Hsiu	100,000,000	100.00
	IBTS Holdings (B.V.I.) Limited	Yang, Han-Wei	100,000,000	100.00
	President : Hung, Hui-Hsiu		0	0.00
IBT Management Corporation	Jurisdic-person director : O-Bank Co., Ltd.	Yeh, Roy J.Y.	13,400,000	100.00
	O-Bank Co., Ltd.	Tang, Grace W.S.	13,400,000	100.00
	O-Bank Co., Ltd.	Siew, Joy	13,400,000	100.00
	O-Bank Co., Ltd.	Tseng, Suzanne	13,400,000	100.00
	Supervisor : O-Bank Co., Ltd.	Liu, Nancy S.F.	13,400,000	100.00
	President : Tang, Grace W.S.		0	0.00
IBT VII Venture Capital Co., Ltd.	Jurisdic-person director : IBT Leasing Co., Ltd.	Yeh, Roy J.Y.	65,000,000	100.00
	IBT Leasing Co., Ltd.	Tang, Grace W.S.	65,000,000	100.00
	IBT Leasing Co., Ltd.	Chao, Kai-Yun	65,000,000	100.00
	IBT Leasing Co., Ltd.	Siew, Joy	65,000,000	100.00
	IBT Leasing Co., Ltd.	Li, Barry	65,000,000	100.00
	Supervisor : IBT Leasing Co., Ltd.	Liu, Nancy S.F.	65,000,000	100.00

Name of Company	Title/Represented Institution	Name of Representatives	Shareholding	
			No.of Shares	Ratio%
China Bills Finance Corporation	Jurisdic-person director :			
	O-Bank Co., Ltd.	Wu,Cheng-Ching	380,981,600	28.37
	O-Bank Co., Ltd.	Chien, Chih-Ming	380,981,600	28.37
	O-Bank Co., Ltd.	Chang, David C.C.	380,981,600	28.37
	O-Bank Co., Ltd.	Wei, Jonathan C.H.	380,981,600	28.37
	O-Bank Co., Ltd.	Chen, Tessie Y.H.	380,981,600	28.37
	O-Bank Co., Ltd.	Lin, Roger Y.F.	380,981,600	28.37
	Ming Shan Investment Co., Ltd.	Lo, Mona I-Ru	1,509,600	0.11
	Directors :			
	Chen, Sekin		8,000	0.00
	Independent Directors :			
	Chung, Herbert		0	0.00
	Wu, Wayne W.		0	0.00
	Tien, Hung-Mao		0	0.00
	President :			
	Chien, Chih- Ming		0	0.00
IBT Holdings Corp. (note 2)	Directors :			
	Peng, Henry W.		0	0.00
	Lo, Tina Y.		0	0.00
	Kung, Jesse C.K.		0	0.00
	President :			
	Kung, Jesse C.K.		0	0.00
EverTrust Bank (note 3)	Directors :			
	Peng, Henry W.		0	0.00
	Lo, Tina Y.		0	0.00
	Kung, Jesse C.K.		0	0.00
	Yang, Tony C.Y.		0	0.00
	Bloom, Steven N.		0	0.00
	Lee, Elton Fang Yuan		0	0.00
	Ho, Joanna		0	0.00
	Wang & Wang, LLC	Wkang Hsiang Wang	960,095	8.22
	President :			
	Kung, Jesse C.K.		0	0.00
IBT Leasing Co., Ltd.	Jurisdic-person director :			
	O-Bank Co., Ltd.	Lin, Wu-Chai	264,300,000	100.00
	O-Bank Co., Ltd.	Yeh, Roy J.Y.	264,300,000	100.00
	O-Bank Co., Ltd.	Wang, Steven H.P.	264,300,000	100.00
	O-Bank Co., Ltd.	Wei, Jonathan C.H.	264,300,000	100.00
	O-Bank Co., Ltd.	Chen, Paul	264,300,000	100.00
	O-Bank Co., Ltd.	Wang, Graham	264,300,000	100.00
	Supervisor :			
	O-Bank Co., Ltd.	Chang, David C.C.	264,300,000	100.00
	President :			
	Wang, Steven H.P.		0	0.00

Name of Company	Title/Represented Institution	Name of Representatives	Shareholding	
			No.of Shares	Ratio%
IBT International Leasing Corp. (note 4)	Jurisdic-person director :			
	IBT Leasing Co., Ltd.	Lin, Wu-Chai	-	-
	IBT Leasing Co., Ltd.	Yeh, Roy J.Y.	-	-
	IBT Leasing Co., Ltd.	Chuang, Charles M.C.	-	-
	IBT Leasing Co., Ltd.	Wei, Jonathan C.H.	-	-
	IBT Leasing Co., Ltd.	Shao, Wen W.C.	-	-
	IBT Leasing Co., Ltd.	Chen, Paul	-	-
	IBT Leasing Co., Ltd.	Wang, Graham	-	-
	Supervisor :			
	IBT Leasing Co., Ltd.	Chang, David C.C.	-	-
IBT Tianjin International Leasing Corp. (note 4)	Jurisdic-person director :			
	IBT Leasing Co., Ltd.	Lin, Wu-Chai	-	-
	IBT Leasing Co., Ltd.	Yeh, Roy J.Y.	-	-
	IBT Leasing Co., Ltd.	Chang, Walter S.W.	-	-
	IBT Leasing Co., Ltd.	Wei, Jonathan C.H.	-	-
	IBT Leasing Co., Ltd.	Shao, Wen W.C.	-	-
	IBT Leasing Co., Ltd.	Chen, Paul	-	-
	IBT Leasing Co., Ltd.	Wang, Graham	-	-
	Supervisor :			
	IBT Leasing Co., Ltd.	Chang, David C.C.	-	-
	President :			
	Chang, Walter S.W.		-	-

Note: 1. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

2. Shareholding of O-Bank Co., Ltd. to IBT Holdings Corp.: 10,869,286 shares; at a holding ratio of 100%.

3. Shareholding of IBT Holdings Corp. to EverTrust Bank: 10,713,699 shares; at a holding ratio of 91.78%.

4. IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. are limited companies, not companies limited by shares.

(5) Performance of Affiliated Companies

As of December 31, 2017

Unit: NTD\$ thousands /US\$ thousands /HKD\$ thousands /RMB\$ thousands

Name	Capital Stock	Total Assets	Total Liabilities	Net Worth	Operation Revenue	Profit from Operations	Net Income (after tax)	Earnings Per Share (in dollar) (after tax)
O-Bank Co., Ltd.	NTD 24,130,063	NTD 295,020,036	NTD 265,737,443	NTD 29,282,593	NTD 4,506,140	NTD 1,225,783	NTD 1,072,080	NTD 0.45
Chun Teng New Century Co., Ltd.(note2)	NTD 1,123,892	NTD 911,478	NTD 15,459	NTD 896,019	NTD 0	NTD (10,964)	NTD (49,864)	NTD (0.44)
IBTS Holdings (B.V.I.) Limited	USD 8,331	USD 14,051	USD 0	USD 14,051	USD 0	USD (668)	USD (668)	USD (0.80)
IBTS Financial (HK) Limited	USD 1,986	USD 7,432	USD 4,500	USD 2,932	USD (570)	USD (578)	USD (370)	USD (1.86)
IBTS Asia (HK) Limited	HKD 100,000	HKD 74,435	HKD 22,538	HKD 51,897	HKD 812	HKD (3,332)	HKD (2,318)	HKD (0.23)
IBT Management Corporation	NTD 134,000	NTD 239,621	NTD 5,606	NTD 234,015	NTD 17,348	NTD 1,558	NTD 911	NTD 0.07
IBT VII Venture Capital Co., Ltd.	NTD 650,000	NTD 584,954	NTD 3,010	NTD 581,944	NTD 55,750	NTD 28,824	NTD 25,852	NTD 0.40

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